



BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

Issuer and Calculation Agent

WARRANT ISSUANCE PROGRAMME

Under the Warrant Issuance Programme (the “**Programme**”) described in this base prospectus (this “**Base Prospectus**”) Belfius Bank SA/NV (with legal entity identifier (“**LEI**”) A5GWLPH3KM7YV2SFQL84) (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**” or “**Belfius**”) (the “**Issuer**”), may from time to time, issue two categories of warrants (together the “**Warrants**” and individually as a “**Warrant**”):

- “**Employee Warrants**”, which are Warrants linked to **Class C shares of the compartment Belfius Equities Europe Conviction within Belfius Equities sicav**, a UCITS duly registered under the laws of Belgium under the Crossroad Bank for enterprises’ number 0444.229.910 (Code ISIN/Code Trading: BE0945524651; Code Bloomberg: DEXBEUR BB) (the “**Underlying Fund Shares**”). Employee Warrants may be offered to any kind of employer who wants to use the Employee Warrants as employee benefit. The Issuer and its subsidiaries may also subscribe to Employee Warrants in their capacity as employer.
- “**Employer Warrants**”, which are Warrants linked to the **MSCI Europe Net Total Return Index (M7EU)** (the “**Underlying Index**”). The Employer Warrants may be offered to any kind of employer who wants to use the Employer Warrants for its own purposes (such as hedging) in connection with employee benefit schemes set up by such employer for its employees and/or independent officers. **Employer Warrants should not be offered to employees.**

The Warrants issued under this Programme do not constitute warrants as referred to in the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*) and the holders of the Warrants (“**Warrant Holders**”) will not have the rights of holders of warrants provided in the Belgian Companies and Associations Code. The Warrants do not give the right to subscribe to shares in the Issuer or to attend or vote at the general shareholders’ meeting of the Issuer.

Each Tranche of Warrants will be documented by final terms (the “**Final Terms**”). This Base Prospectus should be read and construed in conjunction with each relevant Final Terms. The relevant Final Terms and this Base Prospectus together constitute the prospectus (the “**Prospectus**”) for each Tranche.

The Warrants shall be derivative securities in the meaning of the Commission delegated regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (herein referred to as “Commission delegated regulation (EU) 2019/980”). Derivative securities are financial instruments for which the Warrant Holders could lose all or substantial portion of the principal invested.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Base Prospectus and make their own assessment as to the suitability of investing in the Warrants, including in particular the risk factors as described below in Section 2 (Risk Factors).

For a description of the risk factors, please revert to the full Section 2 of this Base Prospectus.

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers/Autoriteit voor Financiële Diensten en Markten*) (“**FSMA**”) on 18 February 2020 as competent authority under the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and is valid for one year from that date, provided that this Base Prospectus may be updated by any supplements in accordance with Article 23 of the Prospectus Regulation. This Base Prospectus replaces and supersedes the base prospectus of Belfius Bank dated 20 October 2020 describing the Long-Term Warrant Issuance Programme and the prospectus of Belfius Bank dated 20 February 2020 describing the Employer Warrant Issuance Programme. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Base Prospectus would no longer be valid.

The current long-term ratings of Belfius Bank are A1, with outlook ‘Stable’ (Moody’s), A-, with outlook ‘Stable’ (Standard & Poor’s) and A-, with outlook ‘Stable’ (Fitch). An outlook is not necessarily a precursor of a rating change or future credit watch action. In case of any rating action by any of the rating agencies, the most recent credit ratings of Belfius Bank are always published on Belfius Bank website, at the following address: <https://www.belfius.be/about-us/en/investors/ratings>.

Where this Base Prospectus contains hyperlinks to websites, the information on the websites does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA, except for information that is incorporated by reference in accordance with Section 5 of this Base Prospectus.

This Base Prospectus and the Final Terms (including the summary thereto) of each Tranche of Warrants that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Regulation and any supplement, are available on the website www.belfius.be (under the heading “Sparen & beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of Belfius Bank.

Pursuant to Article 8.8 of the Prospectus Regulation, a summary shall be drawn up once the Final Terms are included in this Base Prospectus, or in a supplement, or are filed, and that summary shall be specific to the individual issue.

MIFID II product governance / target market – Belfius Bank acts as sole manufacturer and distributor (each as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended from time to time and most recently by Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 (as amended, “**MiFID II**”) of the Warrants. The Final Terms in respect of any Warrants may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Warrants and which channels for distribution of the Warrants are appropriate.

PRIIPs / EEA retail investors – The Warrants may be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, a key information document required by Regulation (EU) No 1286/2014 (as amended the “**PRIIPs Regulation**”) for offering or selling the Warrants or otherwise making them available to retail investors in the EEA will be prepared.

Prohibition of sale of Employer Warrants to consumers in Belgium – The Employer Warrants are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, in Belgium to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

This Base Prospectus has been approved by the FSMA on 26 October 2021 as competent authority under the Prospectus Regulation in accordance with Article 20 of the Prospectus Regulation. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuer. The FSMA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer that is the subject of this Base Prospectus.

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IMPORTANT REMARKS

Potential investors in the Warrants and potential investors interested in this Offer are explicitly reminded that any investment involves financial risks. They are therefore advised to read this Base Prospectus, including the relevant Final Terms, carefully and in its entirety.

It is recommended that they consult about the Offer and the Warrants, and the risks related to any investment therein, with their legal, tax, investment and accounting advisors prior to making any investment decision.

Neither this Base Prospectus nor any other information supplied in connection with this Base Prospectus (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer that any recipient of this Base Prospectus or any other information supplied in connection with this Base Prospectus should purchase any Warrants. Each investor contemplating purchasing any Warrants should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with this Base Prospectus constitutes an offer or an invitation by or on behalf of the Issuer or any other person to subscribe for or to purchase any Warrants.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with this Base Prospectus is correct as of any time subsequent to the date indicated in the document containing the same. Investors should review, inter alia, the most recently published annual and interim financial statements of the Issuer, when deciding whether or not to purchase any Warrants.

Every significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of the Warrants and which arises or is noted between the time when this Base Prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to this Base Prospectus without undue delay, in accordance with Article 23 of the Prospectus Regulation. Accordingly, this Base Prospectus should be read and construed with any supplement hereto and with any other document or information incorporated by reference herein (if any).

No person is authorized to give any information or to make any representation not contained in or not consistent with this document or any other information supplied in connection with this Base Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer.

This document is to be read and construed in conjunction with any amendment or supplement hereto, with any Final Terms and with all documents which are deemed to be incorporated herein by reference.

The Warrants create options exercisable by the relevant holder. There is no obligation upon any holder to exercise his Warrant nor, in the absence of such exercise, any obligation on the Issuer to pay any amount to any holder of a Warrant, unless provided otherwise. The Warrants will be exercisable in the manner set forth herein and in the relevant Final Terms.

The Warrants of each issue may be sold by the Issuer at such time and at such prices as the Issuer may select. There is no obligation upon the Issuer to sell all of the Warrants of any issue. The Warrants of any issue may be offered or sold from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer.

The Issuer shall have complete discretion as to what type of warrants it issues and when.

1. GENERAL DESCRIPTION OF THE PROGRAMME AND THE WARRANTS

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Conditions of any particular Tranche of Warrants, the applicable Final Terms. This overview must be read as an introduction in conjunction with the other parts of the Base Prospectus (including any documents incorporated therein). Any decision to invest in the Warrants should be based on a consideration by the investor of the Base Prospectus as a whole.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980. Words and expressions defined in the “Terms and Conditions” shall have the same meanings in this overview, taking into account that certain definitions have a different meaning with respect to the Employer Warrants and the Employee Warrants.

INFORMATION APPLYING TO ALL WARRANTS

Issuer:	Belfius Bank SA/NV
Calculation Agent:	Belfius Bank SA/NV. The Calculation Agent will make calculations and determinations in relation to the Warrants as set out in the Conditions, including the calculation of the Cash Settlement Amount.
Depository:	Belfius Bank SA/NV will act as depository of the Warrants. Each (prospective) holder of Warrants must maintain a securities account and a cash account with the Depository for purposes of holding and transferring its Warrants and exercising its rights under its Warrants.
Listing and Admission to Trading:	The Issuer has not made an application for the Warrants to be listed and/or admitted to trading on a regulated market and the Issuer currently does not intend to make such application in the future.
Series and Tranches:	Warrants will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Warrants of each Series will all be subject to identical terms, except that the issue date and the issue price thereof may be different in respect of different Tranches.
Final Terms:	Each Tranche of Warrants will be the subject of the Final Terms which, for the purposes of that Tranche only, completes the Conditions of the Warrants. The Final Terms must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Warrants are the Conditions of the Warrants as completed by the applicable Final Terms.
Form of Warrants:	A Warrant constitutes a contractual claim (<i>schuldvordering/créance</i>) against the Issuer. The Warrants will be represented exclusively by book-entry in the records of the Depository. The Warrants cannot be physically delivered or transferred to another depository.

Category of Warrants:	Two categories of Warrants are issued under this Programme: Employee Warrants and Employer Warrants. The category of each Tranche of Warrants will be specified in the Final Terms of the relevant Tranche. The terms and conditions applying to both categories are set out in Section 7 and 8 and are in principle identical for both categories of Warrants, unless specified otherwise in the applicable terms and conditions (e.g. the Underlying Value, market risk, taxation, settlement procedure, exercise period and procedure, purpose and ultimate beneficiary differs between both categories of Warrants) See " <i>Information applying to Employee Warrants only</i> " and " <i>Information applying to Employer Warrants only</i> " below for a general description of specific features of each category of Warrants.
Underlying Value:	<p>The Underlying Value of Employee Warrants are Underlying Fund Shares (see "<i>Information applying to Employee Warrants only — Underlying Fund Shares of Employee Warrants</i>").</p> <p>The Underlying Value of Employer Warrants is the Underlying Index (see "<i>Information applying to Employer Warrants only — Underlying Index of Employer Warrants</i>").</p>
Settlement:	Employee Warrants are physically settled (see " <i>Information applying to Employee Warrants only — Settlement of Employee Warrants</i> " below). Employer Warrants are settled in cash (see " <i>Information applying to Employer Warrants only — Settlement of Employer Warrants</i> " below).
Type of Warrants:	The Warrants are “American Style Warrants”, which means that they can be exercised on any Business Day during the relevant Exercise Period (subject to the Conditions).
Exercise Procedure:	Warrants can be exercised during their Exercise Period in accordance with the applicable exercise procedure. See " <i>Information applying to Employee Warrants only — Exercise Procedure of Employee Warrants</i> " and " <i>Information applying to Employer Warrants only — Exercise Procedure of Employer Warrants</i> " below.
Exercise Period:	<p>The Exercise Period of a Warrant is each Business Day from (and including) the date as specified in the relevant Final Terms until (but excluding) the Maturity Date as specified in the relevant Final Terms.</p> <p>If a holder of Warrants does not exercise its Warrants before the Maturity Date (as specified in the relevant Final Terms), those Warrants will become void and expire worthless, without any indemnification, reimbursement or other payment due to the holder of those Warrants.</p>
Currency:	Payments in respect of the Warrants will be made in Euro.
Status of the Warrants:	Direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, <i>pari passu</i> with all other obligations of the Issuer of the same category. This category can be seen as the “ordinary creditors” and may be qualified as “Preferred Senior creditors”, being the creditors related under article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under article 389/1, 2° of the banking law.
Issue Price:	The Issuer will determine the Issue Price in the applicable Final Terms.

Cancellation upon change of law:	The Issuer will cancel the Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus, the Warrants, the Conditions and/or the relevant Final Terms. In such case, the Issuer will pay the Fair Market Value (as determined by the Calculation Agent) to the holder of the relevant Warrants.
Taxation:	The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Warrant and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.
Governing law:	The Warrants and any non-contractual obligations arising out of or in connection with the Warrants are governed by and shall be construed in accordance with the laws of Belgium.
Selling Restrictions:	See Section "Subscription and Sale" below.

INFORMATION APPLYING TO EMPLOYEE WARRANTS ONLY

Employee Warrants:	Employee Warrants are warrants in respect of which the Final Terms specify that the category of Warrants is "Employee Warrants".
Purpose of the offer of Employee Warrants:	The Issuer may offer Employee Warrants from time to time to any kind of employer who wants to use the Employee Warrants as employee benefit. The Issuer and its subsidiaries may also subscribe to Employee Warrants in their capacity as employer.
Underlying Fund Shares of the Employee Warrants:	Class C shares of the compartment Belfius Equities Europe Conviction within Belfius Equities sicav, a UCITS duly registered under the laws of Belgium under the Crossroad Bank for enterprises' number 0444.229.910 (Code ISIN/Code Trading: BE0945524651; Code Bloomberg: DEXBEUR BB). See section " <i>The Underlying Fund Shares of the Employee Warrants</i> " for a description of the Underlying Fund Shares.
Settlement of Employee Warrants:	<p>Upon exercise, Employee Warrants are physically settled. This means that, upon exercise of Employee Warrants, the Issuer will deliver a certain number of Underlying Fund Shares to the holder of the Employee Warrant against payment of the Strike Price by the Warrant holder to the Issuer.</p> <p>If the number of Underlying Fund Shares to be delivered upon exercise of Employee Warrants is lower than one (i.e. because the number of Employee Warrants of the same Series exercised by the same holder on the same day is below the Parity of those Employee Warrants), the Issuer will settle Employee Warrants in cash by transfer to the cash account indicated by the holder of the relevant Employee Warrants, and no Underlying Fund Shares will be delivered to that holder.</p> <p>More information can be found in Condition 8.5 (<i>Exercise Procedure</i>) in the Section "<i>Terms and Conditions of the Employee Warrants</i>".</p>
Exercise Procedure of Employee Warrants:	A holder of Employee Warrants may exercise an Employee Warrant on each Business Day during the Exercise Period, by giving an Exercise Notice to

the Issuer exclusively via an electronic platform managed by Belfius Bank and accessible by every holder of Employee Warrants.

Exercise Costs of Employee Warrants: There are no costs related to the exercise of Employee Warrants other than the ordinary charges related to the acquisition of the Underlying Fund Shares as may exist at such time. As of the date of this Base Prospectus, such costs do not exceed 2.5% of the amount so acquired, with a minimum of 100 EUR per transaction.

INFORMATION APPLYING TO EMPLOYER WARRANTS ONLY

Employer Warrants: Employer Warrants are warrants in respect of which the Final Terms specify that the category of Warrants is "Employer Warrants".

Purpose of the offer of Employer Warrants: The Issuer may offer Employer Warrants from time to time to any kind of employer who wants to use the Employer Warrants for its own purposes (such as hedging) in connection with employee benefit schemes set up by such employer for its employees and/or independent officers. Employer Warrants should not be offered to employees.

Underlying Index of the Employer Warrants: MSCI Europe Net Total Return Index (M7EU). See section "*The Underlying Index of the Employer Warrants*" for a description of the Underlying Index.

Settlement of the Employer Warrants: Upon exercise, Employer Warrants are settled in cash by payment of the Cash Settlement Amount (if any) by the Issuer to the holder of the Warrant. More information can be found in Condition 7.5 (*Exercise Procedure*) in the Section "*Terms and Conditions of the Employer Warrants*".

Cash Settlement Amount of the Employer Warrants: The Cash Settlement Amount of Employer Warrants will be determined by the Calculation Agent on the basis of a comparison of the relevant Strike Price (as defined in the relevant Final Terms) and the level of the Underlying Index on or around the Actual Exercise Date (or, in case of "Averaging", the average level of the Underlying Index on the Averaging Dates specified in the relevant Final Terms), increased with the Guaranteed Cash Amount. The Cash Settlement Amount can be lower than the Issue Price or even zero. See Condition 7.5.2 for the full calculation method.

Guaranteed Cash Amount of the Employer Warrants: The Guaranteed Cash Amount of each Tranche of Employee Warrants will be specified in the relevant Final Terms. The Cash Settlement Amount will always be at least equal to the Guaranteed Cash Amount (which can be zero).

Exercise procedure of Employer Warrants: To exercise an Employer Warrant, the holder must submit an Exercise Notice to the Issuer during the Exercise Period in accordance with Condition 7.5 (*Exercise Procedure for Employer Warrants*) of Section 7 (*Terms and Conditions of the Employer Warrants*).

Exercise Costs of Employer Warrants: There are no costs related to the exercise of Employer Warrants.

2. RISK FACTORS

(Annex 6.3 and 14.2 of Commission delegated regulation (EU) 2019/980)

The following section sets out certain aspects of the offering of the Warrants of which prospective investors should be aware of.

An investment in the Warrants involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus (including information incorporated by reference) before making any investment decision in respect of the Warrants. The risks described below are risks which the Issuer believes may have a material adverse effect on the Issuer's financial condition and the results of its operations, the value of the Warrants or the Issuer's ability to fulfil its obligations under the Warrants. Additional risk and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer's business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Warrants issued under the Programme are also described below. The Issuer has assessed the most material risks, taking into account the negative impact (including any relevant mitigation measures) of such risks on the Issuer and the probability of their occurrence ("**Global Criticality**"). Each risk factor relating to the Issuer is followed by the Issuer's assessment of whether such Global Criticality can be assessed as high, medium or low.*

The Issuer believes that the factors described below represent the principal risks inherent in investing in Warrants issued under the Programme, but the inability of the Issuer to pay principal or other amounts on or in connection with any Warrants may occur for other reasons which are not known to the Issuer or which the Issuer deem immaterial at this time.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.

In case of doubt in respect of the risks associated with the Warrants and in order to assess their adequacy with their personal risk profile, investors should consult their own financial, legal, accounting and tax experts about the risks associated with an investment in these Warrants, the appropriate tools to analyse that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Warrants described in this Base Prospectus unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure, redemption and other risks associated with an investment in these Warrants. The market value of the Warrants can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Warrants.

2.1. Risks related to Belfius Bank

2.1.1. Risks related to the Financial Situation and Business Activity

2.1.1.1 COVID-19 and risk management (Global Criticality: High)

Since the World Health Organization ("**WHO**") declared the COVID-19 outbreak a public health emergency of international concern in January 2020, it has spread across the globe. Even if some uncertainties remain about the future evolution of the sanitary crisis and its impact on the economic growth due to potential rise of 'variants' and efficacy of the vaccination campaign, global recovery is currently being observed. Nevertheless, Belfius remains prudent with respect to its risk management framework as seen in the subsequent sections.

Credit risk is one of the most impacted risks. The COVID-19 pandemic and the subsequent lockdown measures are having a far-reaching impact on the financial situation of the Belgian economy for businesses as well as individuals. To help mitigate these impacts, Belfius Bank relied on actions taken internally together with decisions taken at both Belgian federal and at ECB levels.

The disruption from the COVID-19 pandemic led to the adoption of extraordinary policy measures to support economies. The responses included monetary measures, fiscal stimulus and ad-hoc regulatory packages to support credit markets and banks' lending to households and corporates. In Belgium, measures providing liquidity support to the economy included a guarantee scheme (EUR 50 billion) made available for new credits and new lines of credit to viable non-financial businesses, viable independents and non-profit organisations, initially for a maximum of 1 year and in a second stage, 20% of the envelope of the guarantee scheme allocated to the relevant credit provider up to 3 years for loans to Small and Medium Enterprises (SMEs). In addition, there were moratoria to viable companies on loans and advances and to individuals on mortgage and consumer loans as well as payment of premiums on mortgage protection insurance, if they could prove COVID-19 related issues.

Monetary support from the ECB was also strong with many measures taken to keep liquidity flowing and give support to credit markets (Asset Purchase Program reinforcement, introduction of the Pandemic Emergency Purchase Program, easing TLTRO-3 conditions and additional TLTROs, ...).

Furthermore, Belfius Bank implemented on a timely manner **other own risk mitigation actions** such as transformation of mandates, requesting additional collaterals, enhanced work out strategy for defaulted loans and closer focus on the distressed loans (watch list).

The credit risk management team adapted to the new situation and set up several operational processes to manage COVID-19 impacts, including the set-up and roll-out of a portfolio screening process, organised in waves, and aiming at the identification of vulnerable sectors/counterparties as a complementary approach to the IFRS 9 mechanical expected credit losses calculations (= COVID-19 overlays). There was also close cooperation with Business & Corporate bankers to define a priority list of credit reviews and to assess customers' vulnerability and implement risk mitigation action plans (line reductions, additional collateral, etc). The integration of COVID-19 impacts IFRS 9 impairment models: revision of macro-economic factors and scenarios based on a long-term average for all the relevant macroeconomic factors with a backward and a forward looking part, revision of the scenario weights, definition of COVID-19 overlays, inclusion of ECB/EBA relief measures. In addition, a refined definition of analyst guidance for rating assignment to ensure a uniform approach when integrating COVID-19 impacts and sensitivities in the (re-)rating process was put in place. An enhanced watch of the regulatory risk management texts and guidance related to the effects of the COVID-19-crisis was installed. Development of new detection and early warning tools (amongst others transactional data to better capture the ongoing evolution) as well as the creation of a detailed Credit Risk Dashboard (rating evolutions, use of credit lines, use of COVID-19 loans, payment arrears, watchlist, defaults, ...) were set-up and frequently used ensuring a regular reporting to the Management Board and Board of Directors. These measures led to a strong and as accurate as possible cost of risk approach taking into account the specific nature of the crisis with sufficient forward-looking elements and portfolio granularity to avoid severe cost of risk impacts in the coming years and at the same time, to avoid excessive pro-cyclicality.

Finally, and as translated in an update of the Risk Appetite Framework ("**RAF**"), Belfius Bank is also accounting for ECB Relaxation with respect to capital requirements. By adding more granularity into the RAF CET 1 indicator, Belfius Bank does not alter its intrinsic appetite to risk but rather allows for a more granular follow-up. In order to facilitate the support to the real economy, prudential authorities have reduced capital requirements and taken additional relaxation measures – among others, authorization to operate below the Pillar 2 Guidance and combined buffer requirement until at least end of 2022 and below the Liquidity Coverage Ratio ("**LCR**") until at least end of 2021, flexibility in implementation of bank specific supervisory measures (rescheduling on-site inspections, extending deadlines for remediation actions, ...).

In view of the current economic environment, credit risks have increased substantially. Increased risk profiles and non-performing loans assessment will translate in a higher cost of risk and are putting downward pressure on Solvency and bottom-line Profit-and-Loss ("**P&L**"). It is important to highlight the still very material uncertainties in view of the unprecedented impact and nature of this crisis. The cost of risk approach follows a waterfall principle that is described further in this section. A granular risk assessment lead to quantify a layer of provisions aiming to cover extra expected losses arising from the crisis. These ex-ante provisions together with a close

continuous monitoring of the credit risk evolution are quarterly analysed to identify room for releases and refine the remaining pockets of risks.

The coverage ratio (the part secured by collateral) was still a high 60.0% at year-end 2020 and 58.2% at end of June 2021.

In terms of **market risk**, the impact is quite material as the COVID-19 pandemic has triggered a chain of events in the markets that has led to a massive sell-off across asset classes and a sharp increase in volatility affecting amongst others stock markets, credit spreads, interest rates and oil prices. Whereas markets have almost completely recovered, there remains a risk of large market moves that could adversely affect the financial instruments value, including those measured at fair value through P&L. In the case of Belfius Bank, the most important factor remains the counterparty credit risk at Belfius Bank as this can mostly only be proxy hedged.¹ The rest of the impact arises from market movements in interest rates and other equity instruments.² The market risks teams reacted promptly to the COVID-19 crisis by developing new detection and monitoring tools and by taking actions to protect the P&L and solvency. The actions taken throughout 2020 led to the implementation of new limits to align with the Management Board's risk appetite, significant improvement of sensitivity analysis (including cross-effects) and a proposal for new hedges. In this context, existing hedges in place since 1H 2020 on CVA/FVA (Credit Value Adjustment (CVA) is the market price of counterparty credit risk. Funding Valuation Adjustment (FVA) is the cost of funding that is considered in the valuation of uncollateralized derivatives). perform well, keeping the P&L volatility to a minimum. These have been formalized by new limits on credit spreads, making this a structural hedge. Only a limited number of non-hedgeable risks remain like bond-CDS basis and own funding spread.

In 2019, the operational risk management framework has been extended to "**Non-Financial Risk**". The term Non-Financial Risk ("**NFR**") must be understood as a broad umbrella covering all risks except "financial risks". The NFR management is growing in importance given evolutions of risks and threats (VUCA world³) combined with an ambitious business strategy. Some examples of this evolving environment are an increase of IT security concerns everywhere in the world (including because of an increase in home-working in light of the COVID-19 crisis); swift changes in public opinion and regulatory scrutiny about AML and fiscal fraud requiring strong management practices; statistics on external frauds in Belgian banks showing a strong increase in number and amounts. The NFR management is growing in importance given evolutions of risks and threats combined with an ambitious business strategy and the COVID-19 outburst. Belfius strictly applied all governments' directives in order to protect the health of its collaborators and clients, inter alia, by distributing shifty protection means and by enabling social distancing in all premises.

Regarding the crisis management and business continuity, Belfius Insurance was fully included in the entire Belfius Group exercise. During the first semester of 2020, after concerns for employees and the business continuity have first been addressed, the business impacts have been tackled. As anticipated, the claims turned out to be very moderate in Life and Health thanks to the typology of our policyholders which are proportionally much

¹ Credit risk at Belfius Bank arises from many transactions with corporate or public entities or projects. No liquid credit protection market exists for most of those counterparties. This means that no Credit Default Swaps ("**CDS**") referencing Belfius Bank's counterparties can be bought (or at least not at a reasonable price) to reduce its exposures to those. Therefore, Belfius Bank has to turn to alternative hedges if it wants to reduce its credit exposures. Alternatives are mostly CDS indices (referencing a panel of names) or proxy CDS (referencing similar names). Both are grouped under what Belfius Bank calls proxy hedging. The hypothesis behind proxy hedging is that Belfius Bank's exposure is highly correlated with the indices or the proxies. This is particularly true in credit market as there is a high systemic component. However, idiosyncratic movements (purely related to Belfius Bank's single name) may not be covered. Worst, a default on Belfius Bank's exposure will not systematically be linked to a cash flow from our credit protection hedges. Proxy hedging has therefore the purpose of reducing the P&L volatility but may not cover all the economic risk.

² Net income from financial instruments measured at value through profit or loss decreased to EUR 24.1 million at the end of 2020 (compared to EUR 96.1 million at the end of 2019) following the negative impact of the COVID-19 outbreak on credit spreads as well as equity markets.

³ VUCA (volatility, uncertainty, complexity and ambiguity) world shows the unpredictable nature of the world at stake, e.g. taking into account the current situation with the COVID-19 outbreak. The deeper meaning of each element of VUCA serves to enhance the strategic significance of VUCA foresight and insight as well as the behaviour of groups and individuals in organisations. It discusses systemic failures and behavioural failures, which are characteristic of organisational failure.

less vulnerable to the virus (e.g. because of the age group to which they belong). In Non-Life, the contractual conditions preserved the company against massive losses in business interruption and the economic slowdown which followed the lock-down even led to a loss experience below the normal on branches such as motor and workers' compensation (e.g. because people were less mobile in light of restrictions because of the COVID-19 crisis, but they were still required to pay their premia on their contracts). The effect of the crisis on production (i.e., the issuance of new contracts) was more noticeable, but it returned to better fortune as the de-containment progressed and the production bounced back to levels close to normal, except in Life. Finally, the most important effect at short term for Belfius Insurance comes from the financial markets causing huge volatility of the Solvency II ratio requiring close monitoring and management actions. All along the year, considering the deep uncertainty, the priority at Belfius Insurance was to protect the solvency and the P&L of the company. Hence, actions have been taken proportionate to the risk bearing capacity (Derisking of the balance sheet, duration gap management and capital management). At the end of 2020, Belfius Insurance continues to rank amongst the best capitalised Belgian Insurers with a SII ratio of 200% (197% for H2). Moreover, all along the year, specific monitoring and stress tests were regularly performed to assess the Belfius Insurance' resilience. Results were positive and did not require additional actions. The latest "COVID-19" stress tests assessing the sustainability of the Belfius Insurance financial plan 21-25 (forward-looking view) concluded that the risk exposure is commensurate to the risk appetite of the company.

The risks linked to the COVID-19 outbreak (**Global criticality: High**) can have an influence on the risks described hereafter.

2.1.1.2. Credit Risk (Global Criticality: High)

Credit risks are inherent to a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of counterparties as well as the inability to recover amounts due from counterparties. This means that Belfius Bank is exposed to the risk that third parties (such as retail individuals, SME's, corporates, trading counterparties, counterparties under credit default swaps, interest rate swaps and other derivative contracts, borrowers, issuers of securities which Belfius Bank holds, customers, clearing agents and clearing houses, exchanges, guarantors, (re)insurers and other financial intermediaries) owing Belfius Bank money, securities or other assets do not pay, deliver or perform under their obligations. Bankruptcy, lack of liquidity, downturns in the economy, real estate collateral value drops, operational failures or other factors may cause them to default on their obligations towards Belfius Bank.

In order to cover the **unexpected credit losses**, Belfius Bank applies the Advanced Internal Rating-Based approach ("**AIRB**") to derive its minimum own funds requirement. It consists of using three distinct internal models developed and maintained within Belfius Bank following the prescribed regulation (Regulation (EU) No 575/2013 and other EBA RTS) by asset class: a Probability of Default ("**PD**"), a Loss-Given default ("**LGD**") and a Credit Conversion Factor ("**CCF**")⁴ for every facility (note that the PD is by definition derived at client level). In order not to lead to a too volatile capital buffer along the economic cycle, the above-mentioned risk metrics are estimated across the cycle in downturn version (Through-The-Cycle estimates).

In order to cover **the expected credit losses** ("**ECL**"), Belfius Bank applies a provisioning methodology relying on **IFRS 9**. Set of PD, LGD and CCF models are also used to estimate the provisions to estimate the one-year and the Lifetime Expected Credit Losses for all facilities. The one-year horizon ECL is used for clients for which the bank does not perceive a material increase of credit risk since credit origination. For this latter population, a Lifetime ECL is calculated. Unlike that performed for the capital estimates, the provisions are expressed as Point-In-Time estimates (PIT). Hence, level of provisions will be more important in time of crisis. Furthermore, the calculation is made retaining a forward-looking approach by inputting into the estimation a weighted mix of several macro-economic forward-looking scenario's (optimistic, neutral, pessimistic and stress cases). In light of the COVID-19 pandemic dampening measures have been implemented by national and regulatory authorities.

⁴ The CCF factor accounts for the expected evolution of the off-balance part of the exposure and is used to model the Exposure at Default (EAD).

These have been included in the ECL calculations. They refer, *inter alia* to changes to avoid, to some extent, procyclicality in ECL calculations by giving a greater weight to long-term normalized outlook evidenced by past experience when estimating long-term ECL, giving weight to Through-The-Cycle (TTC) approach and to take into account for moratoria and guarantee schemes on a granular manner (bottom-up approach aiming at analysing individual clients identified as "at COVID risk" on the one hand and a continuous credit risk monitoring on the other hand). Mixing expert judgement on a line by line basis of the main material portfolios together with a robust Early Warning Signal framework enriched with real time information is key in the credit risk monitoring.

The pro-active management of the ECL relies on the **cost of risk ("CoR")** metric. The cost of risk approach follows a waterfall principle. The provisions for stage 1 & 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1). If Belfius Bank considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2). If, additionally, the assessment of certain individual counterparts indicates that they present a significantly increased credit risk, but are not yet in default, the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3). For counterparts in default status (stage 3), the normal impairment process is run and specific provisions are calculated and booked (pillar 4). The cost of risk increased markedly in 2020 (EUR 453 million or 35bp in 2020 versus EUR 111 million or 9bp in 2019), reflecting higher expected credit losses and anticipating on a possible worsening of the credit portfolio quality. The significant amount of ex-ante provisions taken by Belfius in 2020 (EUR 331 million) will help alleviate the P&L impact from expected non-performing loans increase. In this context of remaining uncertainty, with favourable social and economic perspectives on the one hand and continued vigilance for second order economic effects of the pandemic on the other hand, Belfius has updated its economic forecasts and reviewed the Covid-19 specific provisioning approach that was developed in 2020 to absorb potential risks, related to Covid-19 sensitive sector or less resilient companies. Based on this analysis and the limited inflows of default so far, the Cost of Risk (CoR) reached EUR +31 million (reversal) in 1H 2021, compared to EUR -393 million in 1H 2020. Simultaneously, Belfius further strengthened its credit risk management process: the best practices identified during the detailed screening on the loan portfolios in 2020 for Covid-19 sensitivities have been structurally embedded into the risk-based monitoring framework, based on a joint effort by the teams of risk management, customer data, the loan department and the front offices. In addition, Belfius has constantly reviewed its credit standards at origination for the mortgage portfolio, in line with the expectations of the National Bank of Belgium.

While risk across borrower classes remains relatively low at the current time, certain categories of loans are subject to higher credit risk. In particular, the National Bank of Belgium (the "**NBB**") has expressed concern with regard to the evolution of the **Belgian residential real estate market** (Belfius Bank's outstanding exposure on mortgage loans as per 31 December 2020 stood at a FEAD⁵ of EUR 36 billion, which represents 28.8% of the outstanding loans (expressed in FEAD) to customers within Belfius Bank)⁶.

In this perspective, the NBB established in 2019 new supervisory expectations towards the production of mortgage loans (limitation in terms of more risky facilities in terms of First Time Buyers, Loan-To-Value, Buy-To-Let Loans and Debt-To-Income). In line with these measures, Belfius Bank adopted a specific risk framework in order to comply with the NBB expectations regarding the tolerated shares related to these risk pockets. Simultaneously, a follow-up framework was put in place, including a close monitoring of the higher risk segments encompassing also longer repayment terms for instance.

In case of downturn, effects of correlation between the subsegments of the real estate market and a spill-over effects between the real economy and the real estate market could amplify the effects. The fact that Belfius real estate risk is geographically concentrated on the Belgian territory and that Belfius is only active in the Belgian real economy, are potentially aggravating factors.

⁵ Full Exposure At Default.

⁶ See Circular NBB_2019_27.

Belfius Bank is also closely monitoring its exposures towards Commercial Real Estate as the development of the commercial activities of the bank is leading to an increase of exposure in this segment. This concentration risk is closely monitored in the Real Estate Risk Appetite Framework following maximum concentration levels on consolidated and sub-levels. Finally, the external rating agencies, Moody's, Fitch and S&P also emphasise the risks of increasing economic indebtedness and growing economic imbalances in Belgium, notably in the real estate sector.

Furthermore, in relation to Belfius Bank's lending to **public institutions**, changes in budgetary and taxation policy may affect the asset quality of loans to municipalities. In addition, one key area of concern is the hospitals sector. Belgian hospitals have a low profitability. One third of hospitals in Belgium are making a loss. The sector is undergoing a structural transformation after the Minister of Public Health launched the care reform plan: a multi-year plan reshaping of the hospital landscape. One of the effects is the regrouping of general hospitals into hospital networks. For Belfius Bank, this could lead to an increased concentration risk. The 6th state reform, assigning the power to recognise hospitals to the Regions, could also have an impact, as less public guarantees could be available for future financing. Of course, COVID-19 also had a huge impact on the hospital sector by putting exceptional resources into place to deal with the outbreak and the imposed postponement of all non-urgent surgery, consultations and medical imaging. Meanwhile, Royal Decrees were voted in order to compensate the ongoing financial impact of the COVID-19 outbreak, by making advances towards the hospital sector (whereas advances to the hospital sector are supposed to be made by the Belgian State). The objective of this financing is strictly limited to the problems & risks related to cash requirements arising from increased costs & the loss of activity. This segment is closely followed by Belfius Bank.

Finally, since 2011, Belfius Bank has been engaged in a tactical de-risking of the **ex-legacy portfolios** until end 2016. Belfius Bank has been successful in achieving its aim of bringing the risk profile of the ex-legacy portfolios in line with the risk profile of its Retail, Commercial, Corporate and Public segments. As from 1 January 2017, the remainder of these ex-legacy portfolios have been integrated in Group Center and the remaining securities are being managed in natural run-off. An important component of these ex-legacy portfolios (total notional of Belfius Bank's ex-legacy portfolio as per 31 December 2020 stood at EUR 18.8 billion) is the large outstanding stock of derivatives (total notional of Belfius Bank's ex-legacy derivatives portfolio as per 31 December 2020 stood at EUR 12.7 billion) and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies (total notional as per 31 December 2020 stood at EUR 1.4 billion). These bonds are of satisfactory credit quality. Nevertheless, in the unlikely event of a default, the loss could be substantial but within the boundaries of the Belfius RAF. The inflation linked nature of these bonds makes them furthermore sensitive to UK real rates⁷. Together with the outstanding stock of derivatives, they could have an important additional capital charge in terms of Risk Weighted Assets ("**RWA**") as well as an increased need for collateral posting from Belfius Bank which could put Belfius Bank's overall liquidity under pressure in case of a liquidity crisis in the financial markets. The ex-legacy portfolio is constantly followed-up in terms of risks which may be hedged. But also, the possibility to exit the transactions anticipatively (e.g. through unwind, sale and novation) is regularly reassessed. Belfius Bank may by example cite the following action points that were realized within the last 12 months:

- (i) more active management of both the XVA⁸ and credit derivatives positions;
- (ii) de-risking of Legacy swap positions with a strong focus on non-collateralised derivatives;

⁷ The real interest rate is the rate of interest an investor, saver or lender receives (or expects to receive) after allowing for inflation. As such the "UK real rates" can be seen as the difference between the nominal Interest Rates levels in GBP (*i.e.*, swap rates) versus the expected Inflation Rates in UK RPI (*i.e.*, inflation swap rates).

⁸ This refers to all adjustments made to the fair value of credit derivatives contracts to account for e.g. credit, funding and capital adjustments.

- (iii) de-risking of Legacy trading positions for which Belfius has an NBB derogation⁹;
- (iv) de-risking of the bond portfolio: a strong reduction in Italian sovereign exposure was realised thanks to the sale of Italian Government bonds at the end of the fourth quarter of 2020. Belfius managed to de-risk about 30% of the outstanding Italian sovereign bonds in December 2020. The external rating agencies also point out the remaining ex-legacy portfolios as a potential rating pressure if not scaled back as planned. However, they also acknowledge the significant efforts that have been made since 2011 in terms of risk management. There can, however, be no assurance that the risk profile of these ex-legacy portfolios will remain at current levels even though a regular close risk monitoring is performed.

The Brexit uncertainty combined with the COVID-19 crisis also resulted in quite some volatility in the UK real rates. Belfius is well hedged in terms of profit & loss fluctuations but remains very sensitive to RWA volatility linked to shifts in the UK real rate due to its ex-legacy UK Water Inflation bonds.

The credit risk management relies on closely following up risk metrics as defined by the RAF on three distinct levels of granularity (the third level corresponds to operational limits) linked to defined acceptable risk limits. At the highest level, the percentage of Non-Performing Loans ("NPL"), Stressed potential loss on a single name, real estate concentration and the Earning-at-Risk metric are key to manage and understand the evolution of credit risk within Belfius Bank. At a lower level, residential real estate and NPL percentage are assessed at a more granular level for the latter (*e.g.*, business lines, CRE). Of course, in order to tackle potential evolution of credit risk, **stress testing based on financial planning** figures are also performed. Belfius Bank performed a RAF fundamental review at the end of 2019 with a broader risk coverage on the one hand and the introduction of a 2-level approach. In light of the COVID-19 crisis, the RAF indicators had been adjusted (CET1 ratio with respect to ECB relaxation measures with respect to capital requirements). Also, it was also decided to introduce a floor Net Income Before Tax (NIBT) in some key risk indicators to ensure Belfius would be able to continue to fully support the real economy and execute its core business. No assurances can be given that the strategy and framework to control the general credit risk profile and to limit risk concentrations will be effective and that these risks will not have an adverse effect on Belfius Bank's results of operations, financial condition or prospects. In 2020, rating agencies took the following decisions: (i) on 30 March 2020, Fitch affirmed the long term rating of Belfius Bank at A- and revised the outlook from Stable to Negative and (ii) on 23 April 2020, S&P affirmed the long term rating of Belfius Bank at A-. Even with the COVID-19 impact, Belfius Bank's Solvency has been quite resilient so far, well within the RAF green zone.

At the end of June 2021, an increase of RWA is observed mostly driven by volume and regulatory impacts. Nevertheless, the credit quality indicators remain good showing the resilience of the retail and corporate segments to the Covid-19 crisis.

The consolidated CET 1 ratio of Belfius at the end of 2020 stood at 17.11% enabling Belfius to continue to support the Belgian economy and to execute its commercial strategy. CET 1 capital amounted to EUR 10,150 million at the same date. At the end of 2020, Belfius RWA amounted to EUR 59,309 million, an increase of EUR 2,911 million compared to EUR 56,398 million at the end of 2019, mainly due to volume and credit quality effects on the one hand and to the change in the valuation method used for the participation in Belfius Insurance on the other hand – the Danish Compromise. The H1 CET 1 ratio amounted to 16.2%. The decrease compared to end of last year is explained by the increase level of RWA presented in the above-mentioned paragraph.

The increase of defaults due to the COVID-19 crisis is expected to materialise in the course of 2021 and 2022. On the one hand, the trigger to default is based on 90 days past due on payment (three months delay). On the other hand, financial difficulties at retail and non-retail counterparty levels are expected to increase with time (*e.g.* given

⁹ Derogation to the Banking Law of 25 April 2014 as made possible through article 124. The derogation permits to Belfius to keep those "Ex-Legacy" positions within the trading book while they do not correspond to one of the five activities on financial instruments authorized by Article 121 of the Banking Law. Belfius still holds positions in Credit Derivatives in its trading book for a total notional of EUR 294 million. As a result of the obtained derogation, those positions are in run-off and are constantly followed-up in terms of risks. The possibility of unwinding is also regularly examined.

that they will no longer have a buffer of liquidity and taking into account the end of support measures¹⁰). The provisions taken by Belfius Bank are meant to cover this future increase of credit risk. Specific and detailed guidelines have been given to the credit analysts in the re-notation or re-rating process to ensure the COVID-19 crisis is adequately taken into account in a harmonised manner within Belfius Bank. In light of the COVID-19 crisis, Belfius Bank made a detailed analysis of its credit risk portfolio and increased its IFRS 9 provisions materially in line with the strongly deteriorated economic environment. In this respect, the Cost of Risk 2020 of EUR 453 million is composed of an increase of ECL in stages 1 and 2 for a net amount of EUR 331 million and a provision for defaulted loans of EUR 122 million. The net increase of EUR 331 million in stage 1 and 2 reflects the importance of the COVID-19 ECL overlays that were accounted for, in particular in the Business and Corporate segments. In order to cover for the increase of credit risk, linked to certain risk pockets in these segments, significant exposures were shifted from stage 1 to stage 2, inducing a net reduction of the ECL in stage 1 and an increase in stage 2 for which life time expected losses¹¹ are calculated. For H1 2021, the default rate continues to be stable and new inflow of defaults remains at the current time limited. Nevertheless, with the end of the public moratoria at 30 June, the evolution in the coming months will be far more important to monitor. Evolution of days past due and bankruptcies for professional loans is still not alerting for the moment.

With respect to the floods that occurred in Belgium in July 2021, Belfius considers that it is taking all actions to continuously monitor and take appropriate actions. A joint workgroup between the businesses and the risk department involving also impacted subsidiaries have been set up together with a closer monitoring of the mortgage portfolios involving Crefius and Belfius Insurance. Out of these assessments, the impact in terms of credit risk is relatively limited, both in credit exposure and in number of affected clients. This conclusion is reached based on the number of requests for payment deferral and/or requests for additional credits.

2.1.1.3. Profitability (Global Criticality: High)

Belfius Bank's strategy is based on the development of a strong commercial franchise that is to be supported by solid risk and financial profile foundations, a strategy even more relevant since the COVID-19 crisis. This translates into growing commercial activities, further growing their footprints in a through the cycle profitable way and investments in future business model developments, based on solid solvency foundations.

Changes in the profitability and changes in the expectations about the future profitability can influence the secondary market value of Belfius Bank's liabilities. Though the Belfius Bank management and the regulatory authorities via the Supervisory Review and Evaluation Process ("SREP") always strive for a sound and profitable business model, profitability can never be guaranteed as it depends to some extent on external market factors.

Besides the general economic and competitive climate, monetary policy is among the most important factors determining bank profitability. By influencing the level of the interest rates and the shape of the interest rate curve, the ECB impacts in an important way the Net Interest Rate Margin ("NIM") of commercial banks, like Belfius Bank. This NIM contains the bank revenues from its normal lending and borrowing activity and for Belfius Bank it constitutes a non-negligible part of the overall income. By making interest rates negative and by massively buying government bonds, the ECB exerts a negative pressure on this NIM, potentially reducing total profitability. Moreover, the interest rates that Belfius Bank must pay on its regulated deposits cannot go negative but are, by law, floored at 0.11% per year. This constitutes a cost for the bank, as retail deposits are an important source of funding. This cost increases when market rates decrease further. Depending on future evolutions of the economy and the inflation rate, the ECB may push interest rates further into negative territory and/or flatten the rate curve even further.

In light of the COVID-19 pandemic, the profitability of Belfius Bank decreased mainly driven by a higher cost of risk (driven itself by higher level of provision to absorb the expected credit losses). Profitability remains a challenge for Belfius Bank in the COVID-19 pandemic environment (given e.g. low rates and slow growth) and

¹⁰ The deferral of payments for mortgages and non-financial companies has been put in place since April 2020 and had initially been expected to last until 31 October 2020 for a maximum of six months. It had been prolonged until the end of March 2021.

¹¹ This relates to expected credit losses that result from all possible default events over the expected life of a financial instrument.

is closely monitored also on a proactive manner (Interest Rate Risk Management relying on the economic value of equity and its measure of change – Basis Point Value, Earning at Risk and Value at Risk calculation). As already indicated above, and again in light of the COVID-19 crisis, Belfius Bank made a detailed analysis of its credit risk portfolio and increased its IFRS 9 provisions materially in line with the strongly deteriorated economic environment.

Return On Equity increased again this semester thanks to a solid P&L that confirms the very strong 2H20 and 1H21 upturns. Nevertheless, in a context of persistent low interest rate environment and increasing competition, Belfius is still expecting profitability to remain under pressure for the coming months.

2.1.1.4. Market Risk (Global Criticality: High)

Market Risks are inherent to a range of Belfius Bank's businesses. Apart from the interest rate risk which is specified under Section "0. Profitability", Belfius Bank is particularly sensitive to P&L volatility stemming from value adjustments (xVA's⁸). These value adjustments are mostly related to the ex-legacy portfolio described above.

Moreover, the hedging of structured retail products with illiquid equity indices as underlying has structurally increased the equity risk. New derivative single stock activity might also bring additional equity risk.

More elaborately, market risk within Belfius Bank is focused on all Financial Markets activities of the bank and encompasses, as mentioned above, interest rate risk, spread risk and associated credit risk/liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk. To mitigate the market risk impact, important management actions have been taken, such as additional hedges and reduction of open positions. This has, amongst others, led to reduced credit spread sensitivities.

The market risks teams reacted promptly to the COVID-19 crisis by developing new detection and monitoring tools and by taking actions to protect the P&L and solvency. The COVID-19 crisis was particularly hard for market risk management (counterparty credit spreads (translated into Fair Value through P&L via Credit Value Adjustment (CVA)) and generated huge equity drops, equity volatility, interest rate and FX swings). Starting the first week of the COVID-19 crisis, actions were taken to further reduce the credit spread sensitivity. The other remaining risk sensitivities, although well within internal limits at the beginning of the crisis, were reduced to a maximum extent. Permanent monitoring between Risk and Front office was put in place including intraday estimates of risks and results as well as a daily reporting to the Management Board. The actions taken throughout the year 2020 led to the implementation of new limits to align with Management Board risk appetite, significant improvement of sensitivity analysis (including cross-effects) and proposal for new hedges.

At the end of 2020, the CVA RWA decreased by EUR 642 million due to active management of counterparty credit risk including additional CVA hedges, the unwinding of uncollateralised swaps with financial counterparts and an increased use of CCP clearing. At end of H1 2021, the market RWA amounted to EUR 1.48 billion of which EUR 1.14 billion is calculated in the Internal Model and EUR 0.347 billion following the Standardized Approach.

2.1.1.5. Operational – Non-Financial Risks (Global Criticality: High)

Non-Financial Risk ("NFR") covers all risks that are not "financial risks" (such as market, Asset and Liability Management ("ALM"), liquidity, credit and insurance risks). NFR therefore covers among others operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy, ...) as well as reputational, compliance and legal risks. In light of the increasing NFR risk environment due to the COVID-19 situation (e.g. taking into account higher fraud frequencies observed in the market, more home-based working, etc.), Belfius Bank has enhanced its NFR risk monitoring process to anticipate any material events. In case these would materialise, the impact in terms of magnitude could be high, even though, thanks to Belfius Bank's enhanced risk management, the frequency of such events is expected to stay rather low.

NFR Management is growing in importance given evolutions of risks and threats (VUCA world) combined with an ambitious business strategy. Furthermore, since March 2020, Belgium has been severely affected by the coronavirus (COVID-19), which has led to national confinements and the massive and long-term use of

teleworking. Moreover, Belfius has committed itself to providing financial support to individuals and companies for getting through the crisis. All these measures have led to adapted working methods and processes, but also to a changed environment in which Belfius operates and to which Belfius reacts in line with several key objectives (protecting health of clients and collaborators, activity continuity, communication process, improvement of NFR tooling framework, update of RAF with new and actionable KRI's – Key Risk Indicators). During this crisis, Belfius gave evidence of operational resilience and successful crisis management thanks to a pro-active approach based on risk analyses and scenarios. In summary, while non-financial risks have been part of the Belfius risk management for many years, the efforts for integrating the non-financial risk culture in Belfius have been paying off in 2020: the COVID-19 crisis has actually been a life stress test for non-financial risks, where Belfius has shown its resilience to a combination of multiple operational risks, including IT (security), human capital, business continuity, fraud, cyber and outsourcing risks.

Focusing on specific domains:

- **Information Security/Incident Management:** Threats against data and information are their loss of integrity, their loss of confidentiality and their unplanned unavailability. The mission of information security is to guard against these threats. An information security strategy derived from these principles has been approved by mainly focusing on IT and IT security risks. The organisation has a framework applicable to all actions pertaining to information security. Belfius Bank's RAF monitors and supports the information security strategy. It includes qualitative statements and quantitative KRIs explicitly related to information security stipulating how Belfius wants to meet the highest standards of information security (e.g. the 'Be Aware' and 'Be Resilient' metrics). The KRIs are monitoring the matching between Belfius Bank's Risk Appetite and the reality on the field (e.g. number of personal data breached).

In 2021, the main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management for which prompt actions have been put in place. Other categories remain limited in amount but not necessarily in number of events. The most important part of the financial impact resulting from operational incidents comes from the bank's retail business.

- **Data Privacy:** On 25 May 2018, the General Data Protection Regulation ("GDPR") became applicable. This introduced a number of new aspects compared to the old European directive from 1995. In general, the GDPR grants more rights to natural persons - such as Belfius Bank's customers - and imposes more obligations on processors and controllers of personal data - including Belfius Bank and its partners/suppliers.

The respect for privacy and the protection of personal data is a key commitment at Belfius Bank. GDPR conformity is integrated into the processes to offer products, innovative digital tools, services and information sharing to its clients.

Belfius published in May 2020 an updated privacy charter – the initial GDPR-version dates from May 2018 – on its website and informed its customers about this update. For its staff, an HR-privacy charter is published. Furthermore, the structural integration of GDPR workflow in the NPAP process has been re-enforced.

Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius online applications and mobile apps. More than 98% of the data subject rights are asked via the Belfius online app and receive an answer in the same app within 1 business day.

- **Anti-Money laundering and fraud management:** In line with the overall commitment to deliver value-adding products and services, Belfius Bank wants to be extremely severe when assessing capacities with regards to fraud. A zero-tolerance policy is applicable for all forms of fraud (internal, external as well as mixed fraud). The roles and responsibilities have been clearly defined which implies

in a concrete manner that business and support lines are the first risk managers. The CRO (Chief Risk Officer) and NFR (Non-Financial Risk) team including the Anti-Fraud Officer as expert have a clear 2nd Line of Defence (LoD) role. In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders.

- **Outsourcing risk:** Belfius Bank is aware that outsourcing & third-party risk should be addressed adequately and fully assumes its responsibilities in that regard, including but not limited to overseeing and managing the concerned arrangements and the risks involved. The outsourcing risk & material arrangements policy is compliant with the "Final Report on EBA Draft Guidelines on Outsourcing Arrangements". In particular, the policy provides for the appointment of the outsourcing function and the set-up of the Outsourcing Management (steering) Committee ("**OMC**"), whose mission consists in ensuring a well governed and coordinated outsourcing in line with Belfius strategy, risk appetite and regulatory requirements. Monitoring and control of the significant providers, in particular to whom personal data is transferred, will be sharpened as of 2021 within the three lines of defence.

The Belgian 2021 July flooding impacted a limited number of branches. Belfius top priority was ensuring safety of its employees in the hit agencies. They were all pro-actively evacuated and (psycho)-assistance was also available. Next, security systems in the branches were disabled. A workaround with the private security firm was created, ensuring frequent visits from security officers at the impacted agencies. Finally, in the five agencies that were closed, a secured transport was organized in order to retrieve funding from the ATMs and of other values if present. The clients with a safe deposit box in these agencies were all contacted to open it, check for any damage and if this is the case, to lay down an insurance claim.

2.1.1.6. Liquidity (Global Criticality: Medium)

Liquidity risk consists of the risk that Belfius Bank will not be able to meet both expected and unexpected current and future cash-flows and collateral needs.

The liquidity risk at Belfius Bank is mainly stemming from:

- the variability of the amounts of commercial funding collected from retail and private customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through all type of loans;
- the volatility of the deposited collaterals in respect of derivatives and repo transactions (so called cash & securities collateral) mainly stems from the volatility of the underlying market parameters;
- the value of the liquid reserves¹² by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB. In this context, the value of the securities used as collateral, instead of cash, is volatile; and
- the capacity to obtain interbank and institutional funding.

The monitoring of the liquidity risk is done through internal and regulatory liquidity Key Risk Indicators ("**KRI**") that are reported on a regular basis and the compliance with those KRI is also tested under stress scenarios. Next to the **Internal Liquidity Ratio** (working on a 3-month horizon), the short and long-term liquidity risks are managed, respectively, by means of the regulatory Liquidity Coverage Ratio ("**LCR**") – 1-month horizon and the Net Stable Funding Ratio ("**NSFR**" – 1 year).

During the first half of 2021, Belfius preserved its diversified liquidity profile by maintaining a funding surplus with the commercial balance sheet, by continuing to obtain diversified long-term funding from institutional investors and by collecting short and medium-term deposits also from institutional investors. Belfius Bank participated in the ECB TLTRO III funding program for an amount of EUR 15.7 billion with the purpose to finance investment needs of SME's, social sector and retail clients (mortgage loans excluded). Belfius Bank reached end

¹² Liquid reserves are reserves that are available on a good timely manner such as available cash and cash equivalents, highly liquid securities (includes government, agency and government guaranteed) as well as other unencumbered central bank eligible assets.

of June 2021 a 12-month average Liquidity Coverage Ratio (LCR) of 189%. The LCR of the bank has remained within its driving range during 2021 with a strong increase after the participation in the TLTRO. The NSFR, based on the binding CRR2 rules and calculated according to EBA templates, stood at 136% end of June 2021.

The driving factors behind these sources of liquidity risk are to a certain extent beyond the control of Belfius Bank as they are linked to the evolution of the financial and interbank markets, and to the banking regulations. As the funds collected from retail and other clients constitute an important share of Belfius Bank's liabilities, adverse market events such as unexpectedly strong and lasting increase in interest rates may trigger changes in the behaviour of Belfius Bank's clients in such a way that liquidity risk actually materialises despite Belfius Bank's prudent liquidity management. Further to this, and related to the **ex-legacy portfolio**, collateral outflows linked to Belfius Bank's large outstanding stock of derivatives and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies may arise, depending on the movement of the UK real interest rate. This risk is closely monitored by Belfius Bank.

As seen, Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the RAF approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. Given its solid liquidity position, Belfius' funding plan is more than ever driven by MREL requirements rather than by an expected liquidity shortfall.

2.1.1.7. Competition (Global Criticality: Medium)

Belfius Bank faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. The presence of Belfius Bank being solely limited to Belgium, as described in its internal risk statement, can be assessed as a competitive disadvantage compared to its competitors. While Belfius Bank believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect Belfius Bank's pricing policy and lead to losing market shares in one or more markets in which it operates.

Competition is also affected by other factors such as changes in consumer demand and regulatory actions. Moreover, competition can increase as a result of internet and mobile technologies changing customer behaviours, the rise of mobile banking and the threat of banking business being developed by non-financial companies, all of which may reduce the profits of Belfius Bank.

The introduction of the Payment Services Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market ("**PSD2**"), may enable the emergence of payment aggregators, which could in turn reduce the relevance of traditional bank platforms and weaken brand relationships. The development of ecosystems – which lead to the abolition of borders across economic sectors – could further exacerbate these threats.

Any failure by Belfius Bank to manage the competitive dynamics to which it is exposed could have a material adverse effect on its business, financial condition, results of operations, and prospects. Nevertheless, Belfius Bank remains confident about its business model targeting the Belgian perimeter, its pro-active and deep work around new technologies, innovative partnerships and its evolution towards a modern banking platform.

In order to stay ahead of this risk, Belfius Bank relies at several levels on benchmarking assessments (Cost of Risk, RWA, Commercial Real Estate Activities, Macro assumptions in ST exercise, Results of Transversal EBA Benchmarking assessment, etc.).

2.1.2. Legal and Regulatory Risk

2.1.2.1. Regulatory Risk (Global Criticality: Medium)

As it is the case for all credit institutions, Belfius Bank's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent years were marked by significant changes to regulatory regimes, including the endorsement by the EU of the amendment of various regulations, *inter alia*, the revised rules on capital requirements (CRR II/CRD V) and resolution (BRRD/SRM-R). The "EU revised Banking Package" has been agreed in April 2019 and will further reduce risks in the banking sector by even more reinforcing banks' ability to withstand potential shocks. The Revised Banking Package was published in the EU Official Journal on 7 June 2019 and covers among others: a binding leverage ratio, including a surcharge for the Banks considered as G-SIBs (Global Systematically Important Banks) and O-SIIs (Other Systematically Important Institutions), a binding NSFR ratio, a new method for the measurement of counterparty credit risk (SA-CCR), a broader application of the SME supporting factor, a reporting requirement to supervisory authorities under a revised market risk framework (Fundamental Review of the Trading Book), an enhanced framework for the interest rate risk in the Banking book, a revision of the treatment of large exposures, etc.

The Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**Single Resolution Mechanism**" or "**SRM**"), as amended by Regulation (EU) 2019/877 of 20 May 2019, established a Single Resolution Board ("**SRB**") that has been operational as an independent EU agency since 1 January 2015. The SRB started its work on developing resolution plans for banks from January 2015 and became fully operational, with a complete set of resolution powers, on 1 January 2016. The SRB is the resolution authority for banks which are considered significant or in relation to which the ECB has decided to exercise directly all of the relevant supervisory powers, and other cross-border groups, where both the parent and at least one subsidiary bank are established in two different participating member states of the banking union. Belfius Bank is deemed to be a significant bank and therefore falls under the supervision of the SRB. On 28 January 2021, the NBB notified Belfius that going forward it needs to execute the SRB MREL instruction regarding the MREL at the consolidated level of Belfius Bank under Directive (EU) 2019/879 ("**BRRD2**"). Belfius already met its expected BRRD2 MREL requirements at the end of 2020.

In addition to new modelling requirements (EBA Guidance on PD, LGD modelling, downturn assessment), on 7 December 2017 the Basel Committee announced a final agreement on the finalisation of Basel III (initially applicable as from 2022, it has been postponed due to COVID-19 crisis to 2023). It contains various rules on capital and liquidity requirements. The 2017 reforms (Basel IV) complement the initial Basel III. This will result in an increase of the capital requirements for CET1. Belfius Bank expects this impact to be manageable and is already well busy with models' redevelopment for instance. Such impact can preliminary be assessed around 1.00%-1.25% of CET1 ratio, based on the current agreement. As the Basel Committee does not have the power to issue legally binding regulation, the Basel IV standards have to be translated by national authorities, possibly with some national discretions, leading to possible deviation in the above-mentioned estimated CET1 impact. Furthermore, some future requirements are still unclear with respect to the treatment of Sovereign and Public exposures. With important concentration in these segments due to the business model of Belfius Bank, this could also have a material impact on the bank's ratio.

Belfius Bank's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies.

Belfius Bank conducts its business subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which Belfius Bank does business. As for all other financial institutions, changes in supervision and regulation, in particular in Belgium, could materially affect Belfius Bank's business, the products and services offered by it or the value of its assets.

Any future changes to the derivatives regulations could affect Belfius Bank in particular, especially in relation to its remaining outstanding amount of derivatives with Dexia-entities and non-collateralised interest rate derivatives with international non-financial counterparties (see Section 6.5.3.2).

The use of various interest rates and indices that are considered benchmarks (such as EURIBOR, LIBOR, EONIA, ...) by supervised entities in financial contracts and financial instruments is subject to ongoing national and international reforms (interest rate benchmark reforms). Certain benchmarks will be discontinued while the methodology of others may fundamentally change. These interest rate benchmark reforms (LIBOR, EURIBOR, ...) leave some uncertainties, mainly with regard to the conditions that shall apply for the transition of the stock of derivatives, which could affect Belfius Bank. This topic is closely followed-up by the institution as for other instruments.

2.2. Risks related to the Warrants

2.2.1. Risks related to the Nature of the Warrants

2.2.1.1. Liquidity Risk

There is no assurance that an active trading market for the Warrants will develop. Neither is it possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid.

The Issuer may, but is not obliged to, list Warrants on an Exchange or MTF. No application is made to list the Warrants on an Exchange.

The Warrants can be freely transferred to any third party, except that (i) Warrants may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons and (ii) Employer Warrants may also not be offered, sold or delivered in Belgium to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

2.2.1.2. Bail-in of senior debt and other eligible liabilities, including the Warrants

Given the entry into force of the bail-in regime, the Warrant Holders may lose some or all of their investment as a result of the exercise by the Resolution Authority of the “bail-in” resolution tool.

Following the transposition of the BRRD bail-in regime into Belgian law as of 1 January 2016, the Resolution Authority has the power to bail-in (i.e. write down or convert) more subordinated debt, if any, and senior debt (including contingent liabilities such as the Warrants), after having written down or converted Tier 1 capital instruments and Tier 2 capital instruments. The bail-in power will enable the Resolution Authority to recapitalise a failing institution by allocating losses to its shareholders and unsecured creditors (including the Warrant Holders) in a manner which is consistent with the hierarchy of claims in an insolvency of a relevant financial institution. The bail-in power includes the power to cancel a liability or modify the terms of contracts for the purposes of deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another.

In summary (and subject to the implementing rules), it is expected that the Resolution Authority will be able to exercise its bail-in powers if the following (cumulative) conditions are met:

- the determination that Belfius Bank is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:
 - Belfius Bank infringes or there are objective elements to support a determination that Belfius Bank will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to because Belfius Bank has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;

- the assets of Belfius Bank are or there are objective elements to support a determination that the assets of Belfius Bank will, in the near future, be less than its liabilities;
- Belfius Bank is or there are objective elements to support a determination that Belfius Bank will, in the near future, be unable to pay its debts or other liabilities as they fall due;
- Belfius Bank requests extraordinary public financial support,
- having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of Belfius Bank would prevent the failure of Belfius Bank within a reasonable timeframe; and
- a resolution action is necessary in the public interest.

The BRRD specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in or, by way of derogation, if the contribution to loss absorption and recapitalisation is equal to an amount not less than 20% of risk-weighted assets and certain additional conditions are met.

2.2.1.3. Warrants may not be a suitable investment for all investors

The occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the price of the Underlying Value will disproportionately affect the value of the Warrants and may lead to the Warrants expiring worthless.

Purchasers of Warrants risk losing their entire investment if the Underlying Value does not perform as anticipated. A Warrant is an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires.

The risk of the loss of some or all of the purchase price of a Warrant upon expiration means that, in order to recover and realize a return upon his or her investment, a purchaser of a Warrant must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Value. Assuming all other factors are held constant, the more a Warrant is 'out-of-the-money' (i.e. a call option with a strike price that is higher than the market price of the underlying asset) and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

The Warrants do not entitle the Warrant Holders to receive a coupon payment or dividend yield and therefore do not constitute a regular source of income. Possible losses in connection with an investment in the Warrants can therefore not be compensated by other income from the Warrants.

The Warrant has a leverage effect. This means that any variation in the price of the Underlying Value is in theory amplified. Therefore, the Warrants involve a high degree of risk. The leverage effect, means that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Value may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Value may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Value does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Value. If not exercised optimally, Warrant Holders may occur a loss (by example, if when exercising the Warrant on a date prior to its Maturity Date, the amount received upon exercise is smaller than the remaining value of the Warrant after that date). Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. The loss born by the Warrant Holder is limited to the original premium paid to acquire the Warrants.

A Warrant's leverage effect is determined by applying the following formula:

$$(\text{Leverage} = \partial P / \partial S \times S / P)$$

where:

S = the price of the Underlying Value

P = the value of the Warrant

The ratio $\partial P/\partial S$, which is called the Delta of the Warrant, is the degree to which the Warrant changes value divided by the degree to which the Underlying Value changes value. $\partial P/\partial S$ is not a constant, and the ratio changes throughout the term of the Warrant.

As and when the leverage effect approaches 1, a Warrant behaves more and more like the Underlying Index and the risk associated with the Warrant is therefore almost the same as the risk associated with holding the Warrant's Underlying Value.

The leverage moves towards 1 as and when, among other things, the Underlying Value rises far away from the exercise price.

For this Programme, the initial leverage is significantly higher than 1. This is expected to remain so for a large part of the lifetime, or even the entire lifetime, of the Warrant.

In addition, more than one Warrant may be necessary to obtain the closing value of the Underlying Value at the payment of the Strike Price. The number of Warrants necessary to obtain the closing value of the Underlying Value at the payment of the Strike Price (the "Parity") will be specified as such in the applicable Final Terms.

2.2.1.4. The influence of trading or hedging transactions of the Issuer on the Warrants

The Issuer may in the course of its normal business activity engage in trading in the Underlying Value. In addition, the Issuer may conclude transactions in order to hedge itself partially or completely against the risks associated with the issue of the Warrants. These activities of the Issuer may have an influence on the market price of the Warrants. A possibly negative impact of the conclusion or dissolution of these transactions on the value of the Warrants cannot be excluded.

2.2.1.5. Change of law

The Terms and Conditions of the Warrants are, save to the extent referred to therein, based on Belgian law in effect as at the date of issue of the relevant Warrants. No assurance can be given as to the impact of any judicial decision or changes to the laws in Belgium, other jurisdictions (such as FATCA under US law) or on a supranational level (e.g. EU Financial Transaction Tax) or administrative practice after the date of issue of the relevant Warrants. Investors should note that the provisions of the Terms and Conditions contain certain provisions dealing with a change of law. Such provisions will be applied, in accordance with the law in force at the relevant time.

Any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Warrants may change at any time (including during any subscription period or the Exercise Period of the Warrants). Any such change may have an adverse effect on a Warrant Holder, including that (i) the Warrants may be cancelled before their Maturity Date due to whatsoever change of law resulting in the Issuer no longer being legally entitled to execute its obligations arising from this Base Prospectus and the relevant Final Terms, (ii) the liquidity of the Warrants may decrease, and/or (iii) the tax treatment of amounts payable or receivable by or to an affected Warrant Holder may be less than otherwise expected by such Warrant Holder.

2.2.1.6. Potential conflicts of interest

The Issuer and the Calculation Agent may also engage in trading activities (including hedging activities) related to any Underlying Value (or, in case of the Underlying Fund Shares, the Underlying Fund Shares' holdings or, in case of the Underlying Index, the Underlying Index' components) and other instruments or derivative products based on or related to any Underlying Value (or its holdings or components) for its proprietary account or for other account under its management. The Issuer and the Calculation Agent may also issue other derivative instruments in respect of any Underlying Value (or its holdings or components). The Issuer and the Calculation Agent may also act as underwriter in connection with future offerings of securities relating to any Underlying Value (or its holdings or components) or may act as financial adviser to certain issuers of securities that are part of the Underlying Value or in a commercial banking capacity for certain issuers of securities that are part of the Underlying Value. Such activities could present certain conflicts of interest, could influence the levels of the

Underlying Value or securities referring to the Underlying Value and could adversely affect the value of such Warrants. In case the Calculation Agent should make determinations and calculations in respect of the Warrants, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, but not necessarily in the interest of the Warrant Holder.

2.2.2. Risks related to the Market Risk and Underlying Value

Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Underlying Value. Prospective purchasers intending to use the Warrants to hedge against the market risk associated with other investments should recognize the complexities of utilizing Warrants in this manner. For example, the value of the Warrants may not exactly correlate with the value of the Underlying Value or with such other instrument for which a holder uses the Warrants as a hedge.

An investment in Warrants entails significant risks that are not associated with similar investments in a conventional financial instrument. Potential investors should be aware that:

- (a) the market price of such Warrants may be volatile;
- (b) in relation to the **Employer Warrants**, the Underlying Index:
 - (i) may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
 - (ii) may cease to exist entirely or may cease to be published, in which case it may be substituted with a replacement index or recalculated by the Calculation Agent. This substitution or recalculation may not reflect the exact original index. In the case where no substitute index exists or the Calculation Agent is unable to recalculate the Underlying Index, the cancellation of the Underlying or the cessation of publication of the Underlying Index may lead to cancellation of the relevant Warrant.
- (c) in relation to the **Employee Warrants**, the Underlying Fund Shares:
 - (i) may be subject to significant changes, whether due to the composition of the Underlying Fund Shares, or because of fluctuations in value of the holdings underlying the Underlying Fund Shares;
 - (ii) may cease to exist entirely;
- (d) the holder of Warrants could lose all or a substantial portion of its investment in the Warrants (whether payable at maturity or upon redemption or repayment);
- (e) if a multiplier greater than one or some other leverage factor is applied to the Warrants, the effect of changes in the Underlying Value on the value of the Warrant and the return realised by exercising the Warrants will be magnified;
- (f) the risks of investing in a Warrant encompass both risks relating to the Underlying Value and risks that are linked to the Warrant itself;
- (g) it may not be possible for investors to hedge their exposure to these various risks relating to Warrants.

Please note that the minimum market risk of the **Employee Warrants** spans at least one day because the holders of Employee Warrants can transfer the Employee Warrants at any time. In theory, the same is true for the **Employer Warrants**. However, due to the purpose for which the Employer Warrants will most often be bought, *i.e.* hedging of an employee benefit scheme set up by such holder of the Employer Warrants for its employees and/or independent officers, most holders of the Employer Warrants will hold onto the Employer Warrants for at least one year. Consequently, the market risk of Employer Warrants is relatively greater than that of Employee Warrants.

The secondary market, if any, for Warrants will be affected by a number of factors, independent of the creditworthiness of each Issuer and the value of the relevant Underlying Value, including the volatility of the applicable Underlying Value and the time remaining to the expiration of the Warrant. The value of the applicable

Underlying Value depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control.

Additionally, in relation to **Employer Warrants**, if the formula used to determine the Cash Settlement Amount of Employer Warrants contains a multiplier or leverage factor, the effect of any change in the applicable Underlying Index will be increased. The historical experience of the relevant Underlying Index should not be taken as an indication of future performance of such Underlying Index during the term of any Employer Warrant.

Transactions between Belfius Bank and third parties could impact the performance of any Warrant, which could lead to conflicts of interest between Belfius Bank and the holders of its Warrants.

Belfius Bank is active in the international securities and currency markets on a daily basis. It may thus, for its own account or for the account of customers, engage in transactions directly or indirectly involving assets that are (holding or component of the) Underlying Value of the Warrants and may make decisions regarding these transactions in the same manner as it would if the Warrants had not been issued.

The Issuer and its affiliates may on the issue date of the Warrants or at any time thereafter be in possession of information in relation to any reference assets that may be material to holders of any Warrant and that may not be publicly available or known to (potential) investors in such Warrants. There is no obligation on the part of the Issuer in the Terms and Conditions of the Warrants to disclose any such business or information to (potential) investors in such Warrants.

3. CHOICES MADE BY THE ISSUER

According to Article 8 of the Prospectus Regulation, the Issuer has chosen to issue Warrants under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuer chooses as its home Member State the Kingdom of Belgium.

The Issuer has freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission delegated regulation (EU) 2019/980 according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex 6, Annex 14 and Annex 17 of Commission delegated regulation (EU) 2019/980. In order to enable the Warrant Holder to identify in the presentation below the corresponding provisions of Commission delegated regulation (EU) 2019/980, cross-references will be made to the relevant annexes of Commission delegated regulation (EU) 2019/980 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Commission delegated regulation (EU) 2019/980, are not included in the presentation when the Issuer so determines.

4. RESPONSIBILITY STATEMENT

(Annex 6.1 and 14.1 of Commission delegated regulation (EU) 2019/980)

Belfius Bank, with registered office at 1210 Brussels, Place Charles Rogier 11, Belgium, as Issuer, accepts responsibility for the information given in this Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

5. DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Base Prospectus:

- (a) in the audited consolidated annual financial statements of Belfius Bank for the year ended 31 December 2019, including the report of the statutory auditor in respect thereof, available at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2019_eng.pdf, the information set out at the following pages:

Consolidated balance sheet.....	p. 176-177
Consolidated statement of income.....	p. 178
Consolidated statement of comprehensive income.....	p. 180-181
Consolidated statement of change in equity.....	p. 182-186
Consolidated cash flow statement.....	p. 187-188
Notes to the consolidated financial statements.....	p. 189-324
Statutory auditor's report – Consolidated financial statements.....	p. 326-333

- (b) in the audited non-consolidated annual financial statements of Belfius Bank for the year ended 31 December 2019, including the report of the statutory auditor in respect thereof, available (in Dutch) at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/nl/bel_RA2019_nl.pdf, the information set out at the following pages:

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Non-consolidated statement of income.....	p. 349
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Comments, valuation rules and notes to the non-consolidated financial statements.....	p. 351-397
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- (c) Belfius Bank's disclosure document on alternative performance measures (“APM”) for the year ended 31 December 2019, available at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/APM_FY_2019.pdf;

- (d) in the audited consolidated annual financial statements of Belfius Bank for the year ended 31 December 2020, including the report of the statutory auditor in respect thereof, available at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf, the information set out at the following pages:

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- (e) in the audited non-consolidated annual financial statements of Belfius Bank for the year ended 31 December 2020, including the report of the statutory auditor in respect thereof, available (in Dutch) at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/nl/bel_RA2020_nl.pdf, the information set out at the following pages:

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| | Non-consolidated balance sheet (after appropriation) | p. 362-363 |
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| | Comments, valuation rules and notes to the non-consolidated financial statements | p. 367-413 |
| | Statutory auditor's report – Non-consolidated annual accounts..... | p. 416-420 |
- (f) Belfius Bank's disclosure document on APM's for the year ended 31 December 2020, available at https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_APM_2020.pdf;
- (g) in the unaudited condensed consolidated interim financial statements of Belfius Bank for the half year ended 30 June 2021, including the report of the statutory auditor with limited review conclusions, available at <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/nl/Belfius%201H21%20Half-year%20report.pdf>, the information set out at the following pages:
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- (h) the disclosure document on APM's for the half year ended 30 June 2021, available at <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/nl/Belfius%201H21%20APM.pdf>; and
- (i) the coordinated articles of association of Belfius Bank dated 22 April 2020, available at https://www.belfius.be/about-us/dam/corporate/corporate-governance/documents/governance-charter/Statuten_ENG.pdf.

each of which are incorporated by reference in this Base Prospectus. Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of all documents incorporated by reference in this Base Prospectus may be obtained without charge from the offices of Belfius Bank and on its website (<https://www.belfius.be/>).

In relation to documents of which only certain parts are incorporated by reference (as specified in the tables above), information contained in those documents which is not incorporated by reference (i.e. information on pages not listed in the relevant table) is for information purposes only, and does not form part of this Base Prospectus. Such non-incorporated parts are deemed not relevant for the investor, or are covered elsewhere in this Base Prospectus.

6. BELFIUS BANK SA/NV

(Annex 6.4 of Commission delegated regulation (EU) 2019/980)

6.1. Belfius Bank profile

Belfius Bank SA/NV (the "**Issuer**" or "**Belfius Bank**") is a public limited company (naamloze vennootschap/société anonyme) established on 23 October 1962 for an unlimited duration and incorporated under Belgian law which collects savings from the public. The Issuer is licensed as a credit institution in accordance with the Law of 25 April 2014 on the status and supervision of credit institutions (the "**Banking Law**"). It is registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and has its registered office at 1210 Brussels, Place Charles Rogier 11, Belgium, telephone +32 22 22 11 11 and website <https://www.belfius.be>. Belfius Bank's LEI code is A5GWLPH3KM7YV2SFQL84.

The share capital of Belfius Bank as at 30 June 2021 is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company ("**FHIC**"), in its own name but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC. Belfius Bank shares are not listed.

At the end of June 2021, the total consolidated balance sheet amounted to EUR 194 billion.

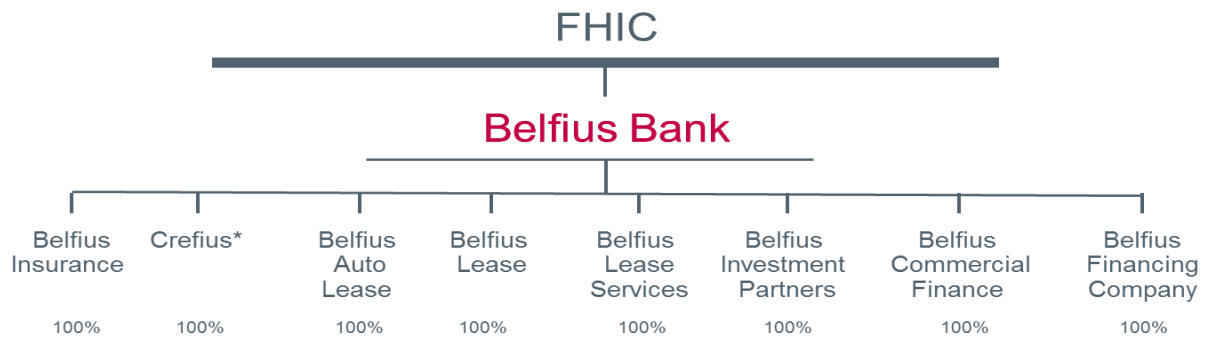
There have been no material contracts that are entered into in the ordinary course of Belfius Bank's business which could result in any member of the Belfius group being under an obligation or an entitlement that is material to Belfius Bank's ability to meet its obligations to Noteholders.

The auditors of Belfius Bank for the historical financial information for the financial year ended 31 December 2019 covered by this Base Prospectus are Deloitte Bedrijfsrevisoren BV, Berkenlaan 8B, 1831 Diegem, Belgium, being a member of the Belgian *Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises*. The mandate of Deloitte Réviseurs d'Entreprises SRL ended after the ordinary general meeting of shareholders of Belfius Bank held on 29 April 2020.

The auditors of Belfius Bank for the historical financial information for the financial year ended 31 December 2020 covered by this Base Prospectus are KPMG Réviseurs d'Entreprises SRL, Gateway building, Luchthaven Nationaal 1 K, 1930 Zaventem, Belgium, being a member of the Belgian *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. KPMG Réviseurs d'Entreprises SRL were appointed as statutory auditors of Belfius Bank by its ordinary general meeting of shareholders held on 29 April 2020 for a term of three years.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius Bank is in a position to act as a universal bank "of and for Belgian society". Belfius Bank is committed to maximal customer satisfaction and added social value by offering products and providing services with added value through a modern distribution model. Thanks to a prudent investment policy and a carefully managed risk profile, Belfius Bank aspires to a sound financial profile that results in a solid liquidity and solvency position.

Simplified Group structure as at the date of this Base Prospectus



* Crefius is involved in granting and managing mortgages loans

Belfius and its consolidated subsidiaries are referred to herein as "**Belfius**".

6.2. Main commercial subsidiaries

Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of June 2021, the total consolidated balance sheet of Belfius Insurance amounted to EUR 22 billion⁽¹⁾.

Crefius

Company servicing and managing mortgage loans. At the end of June 2021, the total balance sheet of Crefius amounted to EUR 20 million⁽²⁾.

Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of June 2021, the total balance sheet of Belfius Auto Lease amounted to EUR 455 million⁽²⁾.

Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of June 2021, the total balance sheet of Belfius Lease amounted to EUR 1,020 million⁽²⁾.

Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of June 2021, the total balance sheet of Belfius Lease Services amounted to EUR 2,126 million⁽²⁾.

Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of June 2021, the total balance sheet of Belfius Commercial Finance amounted to EUR 1,063 million⁽²⁾.

Belfius Investment Partners

Company for administration and management of investment funds. At the end of June 2021, the total balance sheet of Belfius Investment Partners amounted to EUR 148 million⁽²⁾ and assets under management amounted to EUR 21.1 billion.

⁽¹⁾ Total consolidated balance sheet of Belfius Insurance.

⁽²⁾ Total IFRS balance sheet before consolidation adjustments.

6.3. Financial results

6.3.1. Results 2020

Belfius' consolidated net income amounted to EUR 532 million in 2020, which is lower than in 2019 (EUR 667 million) due to the COVID-19 crisis impact, mainly through the related Loan Loss Provisioning charge ("Cost of Risk"). Belfius Bank contributed for EUR 319 million (-31% compared to 2019) and Belfius Insurance for EUR 212 million (+3% compared to 2019).

The total income amounted to EUR 2,614 million in 2020, which is 5% higher than in 2019 (EUR 2,489 million) thanks to:

- an increase of net interest income bank (EUR 1,590 million in 2020 versus EUR 1,488 million in 2019);
- excellent net fee and commission income bank (EUR 622 million in 2020 versus EUR 563 million in 2019) mainly due to higher asset management and entry fees;
- increased non-life insurance income (EUR 244 million in 2020 versus EUR 199 million in 2019), notably thanks to the success of the bank-insurance model as well as to an improved NCR linked to the lower claims frequency during COVID-19 lockdown;
- lower life insurance income (EUR 273 million in 2020 versus EUR 295 million in 2019), due to the negative impact on financial results on life insurance reserves' investments, particularly from financial instruments accounted for in fair value through P&L and to lower realised capital gains in the life insurance bond portfolio; and
- other income amounted to EUR -116 million in 2020, more negative than in 2019 (EUR -56 million). The year-on-year delta is mainly stemming from higher bank levies (EUR 222 million in 2020 versus EUR 205 million in 2019) and lower trading and hedge results mainly due to the impact of increased credit spreads on non-basic financial instruments and credit derivatives.

The operating costs remained well contained at EUR 1,465 million in 2020, which is a limited 1% increase in comparison to EUR 1,452 million in 2019, driven by a decrease in staff expenses, general expenses and network costs, and despite the fact that Belfius continued to invest structurally in IT and digitalisation. This led to a noticeable improvement in the cost-income ratio of 56.0% in 2020, compared to 58.4% in 2019.

All in all, the combination of strong income dynamics, despite some headwinds from volatile financial markets and lower-for-longer interest rate environment, together with contained operating expenses, notwithstanding continuing investments in commercial activities, ESG, IT and digitisation, led to an increase of 11% in pre-provision income, to EUR 1,149 million in 2020 (versus EUR 1,036 million in 2019).

In light of the COVID-19 crisis, Belfius made a detailed review of its credit risk portfolio, and materially increased its IFRS 9 provisions in line with the strongly deteriorated economic environment, leading to a cost of risk strongly increasing from EUR 111 million in 2019 to EUR 453 million in 2020 (or approximately 35 bps of the outstandings), of which EUR 331 million (26 bps) can be economically labelled as our current best estimate "ex-ante provisioning" of expected losses due to the effects of the COVID-19 crisis.

As a result, the net income before taxes amounted to EUR 679 million in 2020, compared to EUR 918 million in 2019.

The tax expenses amounted to EUR 147 million in 2020 compared to EUR 252 million in 2019, mainly due to lower taxable profit. The consolidated effective tax rate (ETR) stood at 22%, below the statutory tax rate (25.00% in 2020, down from 29.58% in 2019).

As a consequence, consolidated net income reached EUR 532 million in 2020, compared to EUR 667 million in 2019.

In terms of financial solidity metrics, Belfius continues to display sound solvency, liquidity, and risk metrics:

- the CET 1 ratio stood at 17.1%, 126 bps up compared to December 2019 as a result of a positive impact of higher CET 1 capital (+214 bps) and a negative impact of higher total risk exposure (-88 bps);
- total capital ratio stood at 20.4%, compared to 19.2% end 2019;
- the leverage ratio increased to 6.9%, up 91 bps compared to December 2019;
- insurance activities also show continued solid solvency metrics, with a Solvency II ratio of 200% at the end of December 2020;
- at the end of 2020, Belfius also continued to show an excellent liquidity and funding profile with a LCR of 158% and a NSFR of 128%;
- total shareholders' equity (Net Asset Value) further improved to EUR 10.2 billion at the end of December 2020 (versus close to EUR 10 billion at the end of 2019).

6.3.2 Results 1H 2021

6.3.2.1 Financial results

Belfius' consolidated net income amounted to EUR 406 million for the first semester of 2021 (1H2021), which is much higher than for the first semester of 2020 (EUR 21 million), impacted by the Covid-19 crisis mainly through the related Loan Loss Provisioning charge ("Cost of Risk") and higher than 1H2019 (EUR 304 million). Belfius Bank contributed for EUR 290 million and Belfius Insurance for EUR 116 million.

The total income amounted to EUR 1,232 million in 1H2021, which is 9% higher than in 1H2020 (EUR 1,132 million) thanks to:

Net interest income (NII) bank continued to grow (EUR 797 million in 1H 2021 vs EUR 779 million in 1H 2020) mainly thanks to (a) the excellent commercial loans dynamics in all segments of Belgian economy, leading to a continued diversification of the loan portfolio at Belfius, (b) the disciplined pricing thereof, as such compensating for the pressure on interest margins on non-maturing deposits stemming from the historically low interest rate environment, and (c) the increased interest income support from the TLTRO.

Higher **net fee and commission income bank** (EUR 360 million in 1H 2021 vs EUR 302 million in 1H 2020), mainly driven by a strong production of mutual funds generating higher entry fees (EUR +12 million vs 1H 2020) and by higher average fund balances generating higher servicing fees (EUR +32 million vs 1H 2020). The positive dynamics in daily banking services (accounts, cards, ...) also contributed an additional EUR 10 million.

Important increase of **life insurance income** (EUR 144 million in 1H 2021 vs EUR 115 million in 1H 2020), due to increasing financial margins and despite slightly decreasing overall reserves (decrease in financial life reserves (Branch 21/26) but increase in unit-linked and classical life reserves).

Slight decrease of **non-life insurance income** (EUR 122 million vs EUR 129 million in 1H 2020) due to lower reassessment of technical provisions (EUR -7 million) and to less favourable claim experience compared to 1H 2020 (1H 2020 was strongly impacted by the first lockdown), partly offset by lower storm charges (EUR +13 million).

Other income amounted to EUR -191 million in 1H 2021, broadly in line with the level in 1H 2020 (EUR -193 million). This evolution is driven by higher bank levies (EUR -34 million) and smaller net income on investments (EUR -14 million), compensated by higher **Trading & Hedge results (EUR +48 million) and higher dividend revenues (EUR +8 million)**.

Costs continue to be tightly managed and increased by only EUR 9 million compared to 1H 2020, mainly due to higher network fees (EUR -6 million) and higher general expenses (EUR -7 million), both linked to the excellent commercial dynamics, partly offset by lower depreciations (EUR +4 million).

The combination of all the above leads to an outstanding level of **Pre-provision income** for 1H 2021 at EUR 512 million (compared to EUR 421 million for 1H 2020), with a consolidated **Cost-Income ratio** of 58% (vs 63% in 1H 2020).

The level of the **Cost of Risk** was positive in 1H 2021 (EUR +31 million, compared to EUR -393 million in 1H 2020), driven by partial net reversal of the 2020 Covid-19 related provisioning. More details on Cost of Risk, are provided in the Risk Management section of this report.

As a result, the **net income before taxes** amounted to EUR 542 million in 1H 2021, compared to EUR 26 million in 1H 2020.

The **tax expenses** amounted to EUR 136 million in 1H 2021 compared to EUR 5 million in 1H 2020. The effective tax rate in 1H 2021 is at 25%.

As a consequence, **consolidated net income** 1H 2021 reached EUR 406 million, much higher than in 1H 2020 (EUR 21 million).

In terms of financial solidity metrics, Belfius continues to display sound solvency, liquidity and risk metrics:

- CET 1 ratio amounted to 16.16% end of June 2021, down 95 bps compared to end 2020. This evolution is explained by an increase of the CET 1 capital (+28 bps) and an increase of the regulatory risk exposures (-124 bps), stemming from our dynamic commercial growth and some regulatory (TRIM and CRR2) related increases.
- Total capital ratio amounted to 19.14% end of June 2021, compared to 20.4% end 2020.
- Leverage ratio amounted to 6.89% end of June 2021, in line with end 2020 (6.85%).
- LCR and NSFR stand at 189% and 136% respectively.
- Solvency II ratio for Belfius Insurance equals a solid 197% at the end of June 2021.
- Total shareholders' equity amounted to EUR 10.6 billion at the end of June 2021 (versus EUR 10.2 billion at the end of December 2020).

The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207 million. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77 million for Belfius in 1H 2021 and EUR 130 million (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extraordinary General Assembly, Belfius will distribute a residual dividend of EUR 130 million related to 2020 results.

6.3.2.2. Impact of the COVID-19 crisis

Since the beginning of the Covid-19 crisis, Belfius has continuously and fully delivered on its societal role by providing the necessary liquidity and by granting deferred payments for individuals, companies and SMEs in temporary difficulties, and this with an overall contribution higher than its market share would have suggested:

25,740 company loans, in an amount of EUR 5.3 billion, benefited from deferred payments, including renewals on roll-over loans, to corporate and business customers;

13,855 leasing contracts of corporate and business customers similarly benefited from deferred payments in an amount of EUR 914 million;

424 requests for deferred payments were granted on EUR 400 million of loans to the public sector (mainly the social sector);

19,614 requests for deferred payment were granted on EUR 2 billion of mortgage loans under the general Covid-19 scheme, in addition to a contractual payment deferral granted to 9,938 files representing more than EUR 1 billion;

finally, EUR 556 million of new loans were granted under the Belgian State guarantee scheme, to corporate, business, public and social sector customers.

At the end of 1H 2021, out of the EUR 5.3 billion of loans to corporate and business customers that were granted moratorium since start of the Covid-19 crisis, EUR 0.8 billion are still subject to payment holidays. 98% of corporate and business loans for which the moratorium came to an end, have resumed their normal payments of formerly deferred amounts. For the mortgage loans, 99% of the clients have resumed the payments (100% in the public sector).

On the insurance side, Belfius Insurance similarly extended support to its customers, including through the deferral of premiums (especially on insurance policies related to mortgage loans) and extended covers (a.o. for health care for volunteers and for the delivery / take away activities).

6.4. Minimum CET 1 requirements (SREP)

Belfius Bank reports on its solvency position on a consolidated level and on a statutory level in line with CRR/CRD IV regulations, amended by CRR2/CRD5:

- (a) the minimum capital requirements ("Pillar 1 requirements") as defined by Article 92 of Regulation (EU) No 575/2013 (CRR);
- (b) the capital requirements that are imposed by the decision following the SREP pursuant to Article 16(2)(a) of Regulation (EU) No 1024/2013 and which go beyond the Pillar 1 requirements ("Pillar 2 requirements");
- (c) the combined buffer requirement as defined in Article 128(6) of Directive 2013/36/EU (CRD IV).

As a result of the annual "Supervisory Review and Evaluation Process" (SREP) finalised by the ECB at the end of 2019, Belfius must comply for 2020 with a minimum CET 1 ratio of 10.57% (including the countercyclical capital buffer), composed of:

- Pillar 1 minimum of 4.5%;
- Pillar 2 Requirement (P2R) of 2%;
- capital conservation buffer (CCB) of 2.5%;
- buffer for (other) domestic systemically important institutions (O-SII buffer) of 1.5% (imposed by the National Bank of Belgium); and
- countercyclical capital buffer (CCyB) of 0.07%.

Belfius has to respect the full combined buffer requirements (capital conservation buffer, countercyclical capital buffer, buffer for systemically important institutions and systemic risk buffer) and the Pillar 2 buffer requirements. Note that the ECB also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2020, a recommended buffer to be held over the minimum requirements set out above.

Following various announcements¹³ over 2019 and 2020 by a number of regulatory bodies, the countercyclical capital buffer requirement for Belfius is now below 1bp, relating to Belfius' very limited exposures under the countercyclical buffer requirements of Luxembourg, Hong Kong, Slovakia, Norway, Bulgaria and the Czech Republic.

Due to ECB measures, notified to Belfius on 8 April 2020, banks are able to use capital instruments that do not qualify as Common Equity Tier 1 (such as Additional Tier 1 or Tier 2 instruments) to partially meet Pillar 2 Requirements (P2R – Article 104-a of CRD IV). As a result, the P2R total capital buffer of 2% can be split into:

- (a) 1.125% to meet CET 1 instruments;
- (b) 0.375% to meet Additional Tier 1 instruments; and
- (c) 0.5% to meet Tier 2 instruments.

As from 1H 2020, Belfius had therefore to comply with a minimum CET 1 ratio of 9.625%, which is composed of:

- (a) a Pillar 1 minimum of 4.5%;
- (b) a Pillar 2 Requirement (P2R) of 1.125%;
- (c) a capital conservation buffer (CCB) of 2.5%;
- (d) a O-SII buffer of 1.5%; and
- (e) a total countercyclical capital buffer of 0%.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1 ratio for 2020, setting the minimum requirement at 10.625%.

For 1H 2021, Belfius had to comply with a minimum CET 1 ratio of 9.635%

Indeed, the countercyclical capital buffer requirement for Belfius is now at 1 bp, relating to Belfius' very limited exposures under the countercyclical buffer requirements of Luxembourg and Hong Kong¹⁴.

Minimum CET 1 Requirement		
(In %)	2020	1H2021
Pillar I minimum	4.5%	4.5%
Pillar II requirement	1.125%	1.125%
Capital conservation buffer	2.5%	2.5%
Buffer for (other) domestic systemically important institutions	1.5%	1.5%
Countercyclical buffer	0.00%	0.01%
MINIMUM CET 1 - RATIO REQUIREMENT	9.625%	9.635%

At the end of 2020 the ECB informed Belfius that the ECB is not issuing a SREP decision for the 2020 SREP cycle and that the previous '2019 SREP Decision' from the end of 2019 and its amendments remains into force for 2021.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1 ratio for 2021, setting the minimum requirement at 10.635%.

The consolidated CET 1 ratio of Belfius at the end of June 2021 stood at 16.16%, well above the 2021 applicable CET 1 capital requirement mentioned above.

¹³ refer to the different publications mainly made by central banks/governments around the world. See [Counter cyclical capital buffer \(CCyB\) \(bis.org\)](https://www.bis.org) and [Counter cyclical capital buffer \(europa.eu\)](https://www.europa.eu) for further details.

¹⁴ Most countries have cancelled their CCyB in 2020, but some others have kept it (amongst others Hong Kong and Luxembourg). The details of exposure value and CCyB calculation are disclosed in the appendix to the the Risk Report 2020 of Belfius, available on its website.

Further to these regulatory requirements, Belfius stated in its RAF that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET 1 ratio of 13.5%, on solo and consolidated levels – this was defined before the Covid-19 pandemic. Even during the Covid-19 pandemic, Belfius continued its support of the Belgian economy, in line with the request of the regulators. As a result, a temporary exemption was validated by the Board of Directors in 1H 2020, to reduce the minimum operational CET 1 ratio to a zone of 12.5% - 13.5%. The reduction in the CET 1 ratio should exclusively cover any credit risk deterioration and loss provisioning, if needed, in order to keep on supporting the Belgian economy. The former minimum operational CET 1 ratio level of 13.5% will be restored once the economic and financial context has normalised.

6.5. Activities

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level.
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level.
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from Bond and Derivative portfolio management.

6.5.1. Retail and Commercial (RC)

6.5.1.1. RC business description

Belfius Bank offers individuals, self-employed persons, the liberal professions (i.e. doctors, lawyers, etc.) and SMEs a comprehensive range of retail, commercial, private banking, wealth management and insurance products and services. Belfius Bank serves its 3.7 million customers through its integrated omni-channel distribution network, which includes 551 branches, its modern interaction platform, Belfius Connect, and a large number of automatic self-banking machines. Belfius has also been developing a digital strategy and is now a leader in mobile banking, with over 1.67 million active mobile users.

Belfius Insurance, a subsidiary of Belfius Bank, offers insurance products to its customers through the Belfius Bank branch network, as well as through the tied agent network of DVV insurance. Belfius' bank-insurance model is fully integrated, with insurance expertise offered through Belfius Bank branches and the omni-channel distribution network. It also offers insurance products through Corona Direct Insurance, which is, according to Assuralia, the fastest growing fully direct insurer in Belgium. Corona operates exclusively via digital media and call channels. Through its Elantis and DVV brands, Belfius Insurance also offers mortgage loans and consumer loans to its customers.

6.5.1.2. RC commercial performance in 1H 2021

The commercial activity continues to show excellent dynamics despite Covid-19 crisis environment. On 30 June 2021, total savings and investments stood at EUR 129.7 billion, an increase of 6.5% compared with the end of 2020. The organic growth in 1H 2021 amounted to EUR 4.9 billion, stemming mainly from the large increase in Non Maturing Deposits (saving and payment accounts) explained by the context of uncertainty linked to the Covid-19 crisis.

On-balance sheet deposits amounted EUR 81.3 billion on 30 June 2021, up 4.9% from the end of 2020. This was driven by strong growth in the funds deposited in current and savings accounts, which reached EUR 21.2 billion (+11.4%) and EUR 52.2 billion (+4.2%) respectively at the end of June 2021. The investments in term products continued to decrease: -12.6% for savings certificates and -18.2% for term accounts.

Off-balance sheet investments increased by 12.6% compared to the end of 2020, to EUR 38.5 billion, despite turbulent and uncertain economic context. This strong increase stems from both positive market effect and positive organic growth.

Life insurance reserves for investment products amounted to EUR 9.9 billion, down -2.0% compared to the end of 2020. Investments in Branch 21 life insurance guaranteed products decreased due to the low interest rates environment; that drop was partially offset by an increase in Branch 23 and Branch 44 products.

Total loans to RC customers rose strongly to EUR 57.3 billion at the end of June 2021. The increase occurred mainly in mortgage loans (+3.4% vs end of 2020) and business loans (+3.2% vs end of 2020). Mortgage loans, which account for almost 70% of all loans, amounted to EUR 39.3 billion at the end of June 2021, while consumer loans and business loans stood at EUR 1.7 billion and EUR 15.8 billion respectively.

New long-term loans granted to retail and commercial clients during 1H 2021 amounted to EUR 6.7 billion compared to EUR 5.4 billion in 1H 2020. In 1H 2021, the new production of mortgage loans increased from EUR 2.9 billion in 1H 2020 to EUR 3.8 billion. During the same period, EUR 2.5 billion in new long-term business loans were granted, up 16.4% compared to 1H 2020.

The total insurance production from customers in the Retail and Commercial segment amounted to EUR 1,296 million in 1H 2021, compared with EUR 1,196 million in 1H 2020, an increase of 8%.

Life insurance production stood at EUR 890 million in 1H 2021, up by 10% compared to 1H 2020. Unit-linked (Branch 23) production increased (+16%) thanks to favourable stock markets in combination with commercial actions. Traditional Life (Branch 21/26) production decreased (-4%) because of low guaranteed rates.

Non-Life insurance production in 1H 2021 stood at EUR 406 million, up 5% compared to 1H 2020, boosted by the bank distribution channel (+11.3%) and DVV-Insurance (+4.0%). The premium collection at Corona Direct Insurance, Belfius' direct insurer, amounts to more than EUR 34 million, up 1% compared to 1H 2020.

The mortgage loan cross-sell ratio for credit balance insurance stood at 130% at the end of 1H 2021. The slightly lower cross-sell, a decrease of 4% compared to 1H2020, is mainly due to a switch of production towards more Singles and Private clients. The mortgage loan cross-sell ratio for property insurance also slightly decreased to 84%.

Total insurance reserves, in the Retail and Commercial segment, amounted to EUR 13.1 billion. Life insurance reserves decreased slightly (-2.7%) since end 2020 to EUR 12.0 billion at the end of June 2021. Unit-linked reserves (Branch 23) increased by 9.7%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by -8.2%, demonstrating the life product mix transformation from guaranteed products to unit-linked products. Non-life reserves increased (+7.9%) to EUR 1.1 billion.

RC total net income amounted to EUR 282 million in 1H2021.

6.5.2. Public and Corporate (PC)

6.5.2.1. PC business description

Belfius offers services to the Belgian public and social sectors (including hospitals, schools, universities and retirement homes). It provides these clients with a wide and integrated range of products and services, including credit lending, treasury management, insurance products, financial markets products and financial IT tools.

Belfius' corporate banking activities are focused on large- and medium-sized corporates which have a decision-making centre in Belgium as well as corporates offering services to the public sector.

Belfius Insurance also sells insurance products to its public and social sector customers. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products.

6.5.2.2. PC commercial performance in 1H 2021

On 30 June 2021, total savings and investments of PC customers stood at EUR 41.3 billion, a decrease of 1.9% compared with the end of 2020. On-balance sheet deposits decreased by EUR 0.2 billion (-0.5%), to EUR 26.7 billion. The off-balance sheet investments also dropped slightly to EUR 14.2 billion, mostly due to lower volumes in Treasury bills of Corporate and Public & Social sector clients.

Total loans to PC increased by EUR 0.5 billion (+1.2%) to EUR 42.3 billion. Outstanding loans in Public and Social banking decreased by 2.2%. The Corporate outstanding loans recorded a growth of 6.0% compared to year-end 2020. The total off-balance sheet commitments increased by EUR 0.9 billion to reach EUR 23.2 billion.

Belfius granted EUR 3.8 billion of new long-term loans to corporate customers and the public sector in 1H 2021.

Long-term loan production for corporate customers reached the same high level as 1H 2020: EUR 2.7 billion. This very good result was not only the continuation of our growth ambition in this corporate segment but also the testimony that Belfius intends to be "Meaningful" for the Belgian Society by (also) supporting the corporate sector in the Covid-19 crisis context.

Moreover, Belfius granted EUR 1.1 billion in new long-term funding to the public sector. The bank is and remains undisputable market leader and responds to every loan request tender from public sector entities. Belfius services the management of the treasury of practically all local authorities.

Belfius also established its position as leader in Debt Capital Markets (DCM) for (semi-)Public and Corporate customers by offering diversified financing solutions. During 1H 2021, the bank has placed a total funding amount of EUR 4.6 billion short term and EUR 1.5 billion long term notes (allocated amount). This further increase in comparison to 2020 confirms the position of Belfius as leader in bond issues for Belgian corporate and public sector clients.

With regard to insurance activities, total gross written premiums in the Public and Corporate segment amounted to EUR 183 million in 1H 2021.

- (a) gross written premiums in the life segment amounted to EUR 128 million in 1H 2021, a decrease of 5.0% compared to 1H 2020. This is merely a timing impact due to single premiums paid in another month or as monthly premiums;
- (b) gross written premiums in the non-life segment amounted to EUR 55 million in 1H 2021, a decrease of EUR 3 million or -5.2% compared to 1H 2020. As a reminder, this decrease reflects the decision of Belfius Insurance (since 2Q 2018) to focus its non-life insurance business on the segment of social sector through direct distribution and to put in run-off the non-life activities towards other institutional and corporate customers through the brokerage and bank channel. This decision enabled to reallocate freed-up resources to its strong development in non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

The PC total net income amounts to EUR 194 million in 1H2021.

6.5.3. Group Center (GC)

Group Center operates through two sub-segments.

- (a) Run-off portfolios which are mainly comprised of:
 - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes the UK inflation-linked bonds), covered bonds and ABS/RMBS, the so-called ALM Yield bond portfolio;
 - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and

- a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties.
- (b) ALM liquidity and rate management and other group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g., Treasury), the management of two former specific loan files inherited from the Dexia era (loans to Gemeentelijke Holding/Holding Communal and Arco entities) and the Group Center of Belfius Insurance.

These portfolios and activities are further described below.

6.5.3.1. Bond Portfolio

ALM Liquidity bond portfolio

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is well diversified with high credit and liquidity quality.

At the end of June 2021, the ALM Liquidity bond portfolio stood at EUR 7.5 billion⁽¹⁾, unchanged to year-end 2020. At the end of June 2021, the portfolio was composed of sovereign and public sector bonds (66%), covered bonds (28%), corporate bonds (5%) and asset-backed securities (1%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio both amounted to EUR 1.5 billion⁽¹⁾ and EUR 0.9 billion⁽¹⁾ respectively.

At the end of June 2021, the ALM Liquidity bond portfolio had an average life of 7.2 years, and an average rating of A- (100% of the portfolio being investment grade), the same as year-end 2020.

⁽¹⁾ Nominal amount.

ALM Yield bond portfolio

The ALM Yield bond portfolio of Belfius Bank was used to manage excess liquidity (after optimal commercial use in the business lines) and consisted mainly of high-quality bonds from international issuers.

At the end of June 2021, the ALM Yield bond portfolio stood at EUR 3.5 billion⁽¹⁾, up EUR 0.1 billion compared to year-end 2020. At the end of June 2021, the portfolio was composed of corporates (73%), sovereign and public sector (12%), asset-backed securities (10%) and financial institutions (6%). Almost 85% of corporate bonds, composed mainly of long-term inflation linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and electricity distribution companies. These bonds are of satisfactory credit quality and the majority of these bonds are covered by credit protection from a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2021, the ALM Yield bond portfolio had an average life of 18.9 years. The average rating of the ALM Yield bond portfolio stood at A. 97% of the portfolio was investment grade.

⁽¹⁾ Nominal amount.

6.5.3.2. Derivatives portfolio

Derivatives with Dexia entities and foreign counterparties

During the period it was part of the Dexia Group, formerly Dexia Bank Belgium SA/NV ("**Dexia Bank Belgium**") (now Belfius Bank), it was Dexia Group's "competence centre" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. The former Dexia Bank Belgium systematically rehedge these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius' accounts: once in relation to Dexia entities and once for hedging.

The total outstanding amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 10.9 billion⁽¹⁾ at the end of June 2021, down EUR 1.3 billion compared to year-end 2020.

Derivatives with Dexia entities decreased by EUR 1.2 billion to EUR 8.6 billion at the end of June 2021. This decrease is mainly due to amortisations and novations. Derivatives with international counterparties decreased by EUR 0.1 billion to EUR 2.3 billion at the end of June 2021.

The fair value of Dexia and international counterparty derivatives amounted to EUR 2.3 billion at the end of June 2021. After collateralisation, the Exposure at Default ("EAD") amounted to EUR 1.2 billion.

At the end of June 2021, the average rating of the total portfolio stood at BBB and the average residual life of the portfolio stood at 12.2 years⁽²⁾.

⁽¹⁾ Nominal amount.

⁽²⁾ Calculated on EAD.

Credit guarantees

At the end of June 2021, the credit guarantees portfolio amounted to EUR 2.9 billion⁽¹⁾ down EUR 0.3 billion compared to December 2020. It essentially relates to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (88%) and ABS (12%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius, mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) resulted in a portfolio that is 97% investment grade in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion⁽¹⁾.

At the end of June 2021, the average rating of the portfolio stood at BBB+ (compared to A- at year-end 2020). The average residual life of the portfolio stood at 9.4 years.

⁽¹⁾ Nominal amount.

6.5.3.3. Other Group Center activities

The other activities allocated to Group Center include:

- (a) the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- (b) the management of two legacy loan files inherited from the Dexia era, i.e. the investment loans to two groups in liquidation, namely Gemeentelijke Holding/Holding Communal and some Arco entities;
- (c) the flow management, including hedge management, of internal and external interest rate derivative flows given that Group Center is the Belfius Competence Centre for interest rate derivatives;
- (d) treasury activities (money market activities); and

the results including revenue and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

GC adjusted net income amounts to EUR 26 million in June 2021.

6.6. Post-balance sheet events

6.6.1. Dividend

The Board of Directors of 25 March 2021 decided upon a proposal for dividend over 2020 year-end results of EUR 207 million. However, due to the binding restriction imposed by the ECB as a result of the Covid-19, the effective pay-out ratio on FY2020 results was set at 15% or EUR 77 million for Belfius in 1H 2021 and EUR 130 million (i.e. 25% of pay-out ratio) was included in Reported Earnings in the 2020 end year accounts. Following the release of the restrictions by the ECB and subject to approval by competent authorities and an Extraordinary General Assembly, Belfius will distribute a residual dividend of EUR 130 million related to 2020 results.

6.6.2. Floods

The floods that took place in Belgium in July 2021 are non-adjusting subsequent events and therefore fall outside the scope of these half-yearly results, however these events will impact the FY 2021 non-life results. Although Belfius cannot take away the human suffering, it considers it to be its utmost duty to take all actions to alleviate the material damages for its insured customers. As such, Belfius has considerably reinforced its claims-handling team, that has been operating seven days a week and that has deployed mobile teams onsite. In addition, specific measures have been taken to accelerate the claims handling (greater autonomy for claims experts and picture-based settlements) while advances are provided swiftly in case of major insured damage.

Although it is too early to provide detailed and precise figures for the financial impact of these floods, Belfius has made a preliminary analysis indicating that the total gross claim cost, as of date of this report, could be in the region of EUR 100 million, based on current indications of the number of claims and the average cost per claim, the latter being compared with the statistics collected by the professional organization of Belgian insurers.

Please note that Belfius' reinsurance program is set up in line with Belfius' disciplined financial and risk management policies. Taking into account this reinsurance program, as of date of this report and based upon above mentioned estimate, the financial impact on Belfius of all natural catastrophes that took place since the beginning of the year 2021 till date is estimated at approximately EUR 35 million (before tax). Furthermore, an additional assessment is currently being performed on the potential impact on "impairments on financial instruments and provisions for credit commitments on the loan portfolio" for both mortgages and professional loans linked to these floods, nevertheless, a preliminary analysis indicates that the impacts should not be significant.

6.7. Risk Management

6.7.1. Credit risk management within Belfius bank

The credit decision processes within Belfius consist of three different types:

- (a) automated decisions where the Bank compares the customer's credit application with a series of technical risk and commercial parameters;
- (b) delegated decisions, i.e. decisions taken by staff to whom, *intuitu personae* and based on the certification of their risk competencies, decision-taking powers have been delegated;
- (c) the regular process of the credit committees.

When granting credits to individuals (essentially mortgage loans), to self-employed and to small enterprises, standardized and automated processes are mainly used, in which the results from the scoring and/or rating models play an important role.

When granting credits to medium-sized and large enterprises as well as Public and Social customers, an individualized approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the collateral. In the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated.

To support the credit decision process, a Risk Adjusted Return on Capital ("**RAROC**") or RoNRE¹⁵ is used to assess the expected profitability of the credit transaction or even of the full relationship with the customer is adequate (compared to a target level). As such, the RAROC is an instrument for differentiating the risks and for guiding the risk-return combinations in an optimal way.

Since 2019 Belfius Bank has put customer proximity completely in the center of its strategy. This approach provides a significant added value to our customers, regardless of the segment in which they operate. Credit and risk committees are regionalized and the delegation of decision-making powers to the regional commercial and credit teams is continued, strengthening the principle of decision-by-proximity. This resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

The Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualized approach, are also updated periodically, in line with the Bank's choice to apply AIRB models. The economic review process of credit applications guarantees that any signs of risk can be detected in time and subsequently monitored and/or addressed. It is also complemented with early warning tools to detect proactively clients' financial deterioration. This review process is organized, according to the Credit Review Guideline, in an annual cycle, with in-depth analyses for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

6.7.2. Fundamentals of credit risk as of end of June 2021

Since the start of the pandemic in 2020, major concerns grew with respect to the impact of the pandemic on the macro-economic situation, that could lead to a substantial increase of the credit risk level in the loan portfolios.

6.7.2.1. Retail (mortgages and consumer credits)

Several factors have influenced the mortgage lending activity in 2020:

termination of tax benefits on mortgage loans as of 1 January 2020, which has accelerated the production of loans at the end of 2019 followed by a slowdown early 2020;

supervisory expectations regarding the lending standards of mortgage loans which have been implemented by means of a strengthening of the underwriting criteria; and

the COVID-19 crisis, which has impacted the confidence of the customers, and which has made the acquisition of properties more difficult because of the lockdown.

Despite this complicated environment, the production volumes of mortgage loans remained relatively high leading to an FEAD of EUR 36 billion at the end of 2020. The average PD is remaining stable at 0.50% over the years.

The asset quality ratios remained very low given that due to the COVID-19 moratoria and other support measures many clients were able to avoid payment difficulties.

The production of consumer loans further slowed down, a trend already observed in 2019 resulting in a FEAD of EUR 5.2 billion at year end 2020, which is 0.6% lower than in 2019.

6.7.2.2. Business and Corporate clients

Global trade weakened in 2020, while the disruption to trade flows and supply chains further amplified the negative effects, especially for the sectors delivering goods and services to sectors highly impacted by the sanitary crisis. The UK left the EU on 31 January 2020. An agreement on its new partnership with the EU, more specifically

¹⁵ Return on Normative regulatory equity (RoNRE) is calculated by Belfius as the sum of the last 4 quarters net result as a percentage of the last 4 quarters rolling average RWA*13.5%.

by the EU-UK Trade and Cooperation Agreement was agreed on 24 December 2020. As a result, a number of uncertainties have been removed, but certain risks remain present: the treaty does not solve everything, lacks some safeguards and could hold some surprises.

Belfius' exposure to Business and Corporate (mostly large- and medium sized corporates with a decision-making centre in Belgium as well as corporates offering services to the public sector) clients amounted in a FEAD of EUR 50.5 billion at the end of 2020.

The quality of the portfolios remained stable. Belfius keeps taking the necessary measures to ensure that its growth strategy goes hand in hand with a good creditworthiness.

Within this global context the number of bankruptcies decreased significantly (-33% ¹⁶) in 2020: many companies survived indeed the pandemic through robust support measures.

6.7.2.3. Public sector clients

Belfius' loan portfolio to the public and social sector amounted to EUR 38.3 billion (FEAD) at the end of 2020 and maintained its low risk profile despite the COVID-19 pandemic.

2020 has been a turbulent year for local authorities, who were right in the front line of the sanitary crisis.

From a risk management point of view, the hospital sector is since a few years a focus of attention as well as the senior housing sector due to the age and average health profile of the occupiers.

However, in the first half of 2021 the rebound of the Belgian and European economy proved faster than initially expected. At the level of the Belfius loan portfolios, so far very few signs of deterioration of the credit quality have been detected, which is evidenced by a limited inflow of defaults, a normalization of the rating downgrade levels and a very high pick-up rate on the moratoria loans which have matured. At the same time, it must be acknowledged that this relatively positive outlook has been made possible thanks to a series of well-targeted fiscal and social policy measures taken by the different governments and to support measures from the banking system, the most important of them (payment moratoria for mortgages, business and corporate loans and a state-guaranteed loan mechanism) having recently expired on 30 June 2021 after several extensions. The upcoming periods could therefore be less favourable from a bankruptcy perspective. In addition, the emergence of new Covid-19 variants, the difficulty for companies to attract new staff and the increasing supply chain bottlenecks combined with rising input costs in some sectors (wholesale, construction, manufacturing and agriculture sectors) further stress the fact that the crisis is not yet behind us.

In this context of remaining uncertainty, with favourable social and economic perspectives on the one hand and continued vigilance for second order economic effects of the pandemic on the other hand, Belfius has updated its economic forecasts and reviewed the Covid-19 specific provisioning approach that was developed in 2020 to absorb potential risks, related to Covid-19 sensitive sector or less resilient companies. Based on this analysis and the limited inflows of default so far, the Cost of Risk (CoR) reached EUR +31 million (reversal) in 1H 2021, compared to EUR -393 million in 1H 2020. Simultaneously, Belfius further strengthened its credit risk management process: the best practices identified during the detailed screening on the loan portfolios in 2020 for Covid-19 sensitivities have been structurally embedded into the risk-based monitoring framework, based on a joint effort by the teams of risk management, customer data, the loan department and the front offices. In addition, Belfius has constantly reviewed its credit standards at origination for the mortgage portfolio, in line with the expectations of the National Bank of Belgium.

Exposure to credit risk

¹⁶ Source: Graydon

Breakdown of credit risk by counterparty

	31 December 2020	30 June 2021
(FEAD, in EUR billion)		
Central governments.....	36.6	44.7
Public sector entities.....	43.6	43.0
Corporate & project finance.....	42.9	47.6
Monoline insurers.....	4.6	2.5
ABS/MBS.....	0.4	0.4
Individuals, self-employed and SME's.....	54.6	56.5
Financial institutions.....	11.5	11.1
Total.....	194.1	205.8

Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries, including Belfius Insurance.

The figures in the above table are the figures after elimination of intra-group exposures and with exclusion of equity positions and other assets not qualified as credit exposure, but with inclusion of credit exposure of trading activities and counterparty credit risk.

Exposures are allocated to the final counterparty, apart from ABS/MBS for which the exposure to the original counterparty is used.

As at 30 June 2021, the total credit risk exposure within Belfius reached EUR 205.8 billion, which is an increase of EUR 11.7 billion or 6.0% compared to the end of 2020.

At bank level the credit risk exposure increased with 6.7% to EUR 191.8 billion. At the level of Belfius Insurance, the credit risk exposure declined by 2.7% to EUR 14.0 billion at 30 June 2021.

The increase by EUR 8.1 billion observed on the segment central governments is mostly due to the additional liquidity reserve taken up by Belfius and deposited at the NBB. Nearly half (49%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 44% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 52%.

The credit risk exposure on individuals, self-employed and SMEs (27% of the total), Public Sector entities (23%) and corporates (21% of the total) constitute the three main categories. The exposure on the categories individuals, self-employed and SMEs, and corporates increased by EUR 1.9 billion and EUR 4.7 billion respectively, reflecting Belfius' strategy to support the Belgian economy.

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities decreased by EUR 0.6 billion.

The credit risk exposure on financial institutions declined by EUR 0.3 billion during first half of 2021.

The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and

reinsured with monoline insurers. With the implementation of CRR2, part of these exposures is now reported under the corporate category.

Belfius' positions are mainly concentrated in the European Union: 92% or EUR 177.0 billion at bank level and 90% or EUR 13.7 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 68%, 4% in France, 4% in the United Kingdom, 1.2% in the United States and Canada, 0.8% in Germany, Spain and Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 8.4 billion. About 70% of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality, and moreover most of the outstanding bonds are covered by a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder relates to the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

At the end of June 2021, 83% of the total credit risk exposure had an internal credit rating investment grade (IG).

Asset quality – Expected credit losses

IFRS 9 impairment methodology at Belfius

The basic principles of the process to compute IFRS 9 expected credit losses (“ECL”) are as follows:

- (a) Belfius Bank, and its subsidiaries, recognise loss allowances for ECL on financial instruments at amortised cost or at fair value through OCI;
- (b) ECL are measured through a loss allowance that depends on the financial instrument's status:
 - a. for performing exposures (i.e. instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is calculated,
 - b. for under-performing exposures (i.e. instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are calculated,
 - c. non-performing exposures (i.e. exposures that become credit-impaired), are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries.
- (c) ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls i.e. the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive;
- (d) ECL calculations use probability of default (“PD”) and loss given default (“LGD”) parameters. Point-in-time PD's are used to inter alia incorporate forward-looking macroeconomic information through the use of four different macro-economic scenarios. These scenarios are built upon internal information delivered by the Belfius Research Department, who uses external and internal information to generate a forecast “neutral” scenario of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities;
- (e) Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between macro-economic variables and credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand;
- (f) given that ECL estimations are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through “management call” layers. These

layers can be positive or negative and aim to include any elements entering in the ECL calculation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level. These layers have been reinforced to account for the heterogenous nature of the Covid-19 crisis on Belfius' portfolio.

Drivers of the cost of risk in the first half of 2021

In the COVID-19 perspective, the cost of risk is built according to a waterfall principle:

- (a) the provisions for stage 1 and 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1);
- (b) if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2);
- (c) if, additionally, expert analysis point to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified 'as unlikely to pay', the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3);
- (d) for counterparts in a default status (stage 3), the normal impairment process is carried out and specific provisions are calculated and booked accordingly (pillar 4). Provision levels are based on an individual assessment of exposure and collateral.

The positive cost of risk 1H 2021 of EUR 31 million is composed of a decrease of ECL's in stages 1 and 2 for a net amount of EUR 56 million and a provision for defaulted loans of EUR 25 million.

Covid-19 adjustments to the impairment methodology: further insights

The crisis is unprecedented with very unusual features such as its speed and scale. Despite the easing of the lockdown measures, uncertainties about the timing and shape of the economic recovery remain and the full impact of the measures taken by the Federal State, the Regions, central banks and regulators, etc. cannot yet be fully predicted.

In this context, Belfius' basic principles for ECL computations have remained fundamentally unchanged, however some material adjustments to the aforementioned approach were required in order to maintain an adequate coverage for potential risks in the Covid-19 sensitive parts of the portfolio.

Therefore, the following adjustments were made as described below:

Pillar 1: macroeconomic factors-methodology

Expected credit loss calculations are based on a long-term average (2009-2022) for all the relevant macroeconomic factors, with a backward and a forward-looking part.

To calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macro-economic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the current circumstances.

Counteractive dampening measures have been implemented by national and regulatory authorities. These have been included in the ECL calculations. They refer, *inter alia*:

to changes to avoid, to some extent, pro-cyclicality in ECL calculations by giving a greater weight to long-term normalised outlook evidenced by past experience when estimating long-term ECL (giving weight to through-the-cycle approach);

to account for moratoria and guarantee schemes: regulatory guidance was given with respect to the treatment of exposures covered by public and private moratoria related to Covid-19, both from a prudential (forbearance as unlikely-to-pay classification) and an accounting perspective (as an indication of significantly increased credit risk).

Pillar 1: macroeconomic factors used in H1 2021

Belfius' neutral scenario takes into account the 2020 recession (Belgian GDP: -6.3%). This recession is expected to be followed by a partial rebound in 2021 and 2022 (Belgian GDP: +5.5% in 2021 and +3.3% in 2022) supported by the vaccination campaign and assuming that no new major lockdown occurs.

In terms of unemployment, the neutral scenario implied an unemployment increase from 5.4% in 2019 to 5.6% in 2020. For 2021 and 2022 a deterioration to 7.9% and 6.6%, respectively, is forecasted. The 2021 unemployment figures assume that the exceptional temporary unemployment scheme is extended until the end of the year.

The neutral case is complemented with an optimistic, a pessimistic and a stress scenario. The table (adjoining) illustrates the Belgian GDP growth assumptions, as of 2Q 2021, under the four scenarios.

GDP BE (% YoY)

Scenarios	As of	As of 2Q 2021	
	end 2020	2021	2022
Optimistic	9.0	6.5	3.9
Neutral	3.9	5.5	3.3
Pessimistic	3.1	4.2	2
Stress	2.3	2	1.4

A 50% weight has been assigned to the neutral scenario, while the weight of the more negative scenarios has been increased due to the Covid-19 crisis, bringing the weight of these scenarios to 45%. The more optimistic scenario is given a 5% probability. The weights have been modified in 2Q 2020 and were unchanged since then. These adjustments of the macroeconomic factors, led to a reversal of provision of EUR 57 million.

Pillar 2 and 3: overlays to cover for certain risk pockets

The Covid-19 adjusted mechanical calculations are completed with expert overlays. Due to the unusual situation and the sectoral impact of Covid-19, these overlays gained further scale and importance in the course of 2020. The overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated (potentially) insufficiently covered by the mechanical provisions. The identification of these risk pockets or vulnerable companies was done, based on a combination of a bottom-up portfolio screening and a top-down portfolio analysis, using existing and new risk indicators (as transactional data). The overlays to cover for the Covid-driven credit risks, were calculated by using stressed IFRS parameters or by applying add-ons to the mechanically determined ECL levels.

VULNERABLE COMPANIES	Companies with low ratings belonging to sectors identified as very much impacted by Covid-19 and flagged as having lower resilience
COMMERCIAL REAL ESTATE	Sensitive market segments (e.g. retail, leisure, hospitality)
MORTGAGES	Loans at risk: to borrowers using moratorium and loans with indicators pointing out to potentially higher risk pockets (buy to let loans, loans to borrowers with low ratings)
INDIVIDUAL NAMES	Expert analysis pointing to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified "as unlikely-to-pay"

During 1H 2021, as Belfius gained more granular insights into the financial parameters of the underlying exposures, the various overlays were carefully reviewed and either increased, maintained or reversed. At the end of 1H 2021 the following adjustments were made:

- (a) regarding the overlays to exposures under moratoria: Belfius removed the overlay provisions for matured moratoria with a stable repayment patterns for at least 6 months. For matured moratoria that do present past dues in their repayment schemes, careful monitoring showed current provisions to be adequate. Finally, for the moratoria that were still active, Belfius decided to increase the provisioning for those running for more than 9 months;
- (b) regarding the overlays to Covid-19 sensitive exposures focusing on retail trade-linked real estate and vulnerable companies, provisions were either increased or reversed based on the observed evolutions, with reclassifications to another risk category and rating evolutions as ECL driver;
- (c) for overlays linked to individual names identified as having a potential low Covid-19 resilience, a line-by-line review by Belfius was performed. This allowed to remove the overlay for some files associated with positive evolutions such as obtaining additional collateral, strengthened shareholder support to the company or a recovery of financial results after the end of the lockdown.

These adjustments led to a release of EUR 27 million of provisions.

Asset quality - Asset quality ratio

At the end of June 2021, the amount of impaired loans amounted to EUR 2,032 million, an increase of 1.75% compared to year end 2020. During the same period, the gross outstanding loans to customers increased by 2.0% and amounted to EUR 100,638 million as the end of June 2021. As a consequence, the asset quality ratio remained stable at 2.02% at the end of June 2021. The coverage ratio slightly decreased to 58.2% at the end of June 2021 compared to 60.0% at the end of 2020.

Market risk – non-financial markets activities

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset & Liability Management (“ALM”). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius Bank’s Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective ALM is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank’s respectively insurer’s balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, that has the final authority before any practical implementation.

The ALCo of the Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, doing so, places an emphasis on:

- (a) the creation of a stable income flow;
- (b) the maintenance of economic value;
- (c) the insurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial and Strategic Officer (CFSO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their mandatees).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius Bank, supplemented by factors specific to Belfius Insurance relating to their risk management.

Liquidity risk

Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the RAF approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in the liquidity guideline, approved by the ALCo.

ALM, a division situated within the scope of the Chief Financial and Strategic Officer (“**CFSO**”), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyses and reports on current and future liquidity positions and risks and defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM.

ALM organises a regular Assets and Liabilities Forum (“**ALF**”), in presence of the Risk department, the Treasury department of the Financial Markets and representatives of the commercial business lines. The Asset and Liability Forum is in the first place a discussion forum on all topics with a link to the ALCo in preparation for the ALCo memos. This forum has been mandated by ALCo to translate the strategic funding plans into tactical and operational funding strategies aligned to the financing needs stemming from Belfius’ balance sheet and within the regulatory constraints (LCR, NSFR, encumbrance, MREL...).

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports on a daily basis to the CFSO and CRO and on a monthly basis to the Board of Directors about the Bank’s liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained hypothesis and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

The strategy of the liquidity risk management is described in the Liquidity Risk Management Guidelines and in the RAF. The RAF constitutes the highest level of risk limits and principles that express the risk tolerance of Belfius Bank.

Monitoring is done through internal and regulatory liquidity Key Risk Indicators (“**KRI**”), with respective internal limits set up in the RAF. The liquidity KRI are reported on a regular basis and any exceeding of the limit is reported to the ALF and to ALCo, which has power of decision. Respect of those KRI is also tested under stress scenarios.

In addition, a series of early warnings indicators are monitored daily to identify as soon as possible liquidity tension on the markets.

Exposure to liquidity risk

The liquidity risk at Belfius Bank is mainly stemming from:

- (a) the variability of the amounts of commercial funding collected from retail and private customers, small, medium-sized and large companies, public and similar customers the way these funds are allocated to customers through all types of loans;
- (b) the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
- (c) the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- (d) the capacity to obtain interbank and institutional funding.

Since the start of the Covid-19 pandemic, the Bank focused on the management of the liquidity risk under the Covid-19 crisis. From the start, Belfius Bank maintained its already strong liquidity position, mainly thanks to a strong increase in commercial deposits which compensated (1) the temporary difficulties on the short-term institutional funding markets and (2) the increase of commercial assets also driven by moratoria and increased drawing on credit lines in the first half year of 2020. In 2020, Belfius Bank participated in the TLTRO III for an amount of EUR 11.5 billion and in 2021 for an additional amount of EUR 1.4 billion, thus reaching a total amount of EUR 15.7 billion of TLTRO funding.

Consolidation of the liquidity profile

During the first half of 2021, Belfius preserved its diversified liquidity profile by:

- (a) maintaining a funding surplus within the commercial balance sheet;
- (b) continuing to obtain diversified long-term funding from institutional investors; and
- (c) collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 15.7 billion with the purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

Belfius Bank reached end of June 2021 a 12-month average Liquidity Coverage Ratio (LCR) of 189%. The LCR of Belfius Bank has remained within its driving range during 2021 with a strong increase after the participation in the TLTRO.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of Basel III rules, stood at 136% at end of June 2021, an increase also explained by the participation in the TLTRO.

Minimum requirement for own funds and eligible liabilities (“MREL”)

On 17 April 2019, the NBB notified Belfius Bank regarding the MREL requirement imposed by the Single Resolution Board (SRB), setting the consolidated MREL requirement for Belfius Group at 10.56% of its Total Liabilities and Own Funds (TLOF), to be met at all times.

Based upon data as of 31 December 2020 and according to the current Banking Recovery and Resolution Directive (commonly referred to as ‘BRRD1’), Belfius’ eligible own funds and liabilities for MREL purpose stood at EUR 19.8 billion, in excess of the MREL requirements of EUR 16.1 billion.

On 28 January 2021, the NBB notified Belfius that going forward it is to execute the SRB MREL instruction regarding the minimum requirement for equity and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 22.87% of Total Risk Exposure Amounts (TREA) and 6.84% of Leverage Risk Exposures (LRE). Belfius Bank must meet the target no later than 1 January 2024 and must provide for a linear build-up of equity and eligible liabilities towards the requirement. The SRB also determined an interim target of 22.37% of TREA and 6.84% of LRE which must be

met by 1 January 2022. The SRB MREL instruction also provides for a subordination requirement: Belfius Bank must meet at least 15.25% of TREA and 6.84% of LRE by means of subordinated MREL. Own funds used to meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4.01% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024, subject to an intermediate target of 15.25% of TREA and 6.84% of LRE by 1 January 2022.

With the annual review of MREL requirements by SRB, Belfius currently estimates that its MREL subordination requirement could be lowered to 13.5% of TREA (or 17.5% of TREA including current CBR requirement) from 2023 onwards, based on forward looking assessment of the formula applied by SRB.

Belfius already meets its expected BRRD2 MREL requirements end 1H 2021. Indeed, expressed in TREA, Belfius MREL of EUR 18.8 billion amounts 29.5% to be compared with 26.88% of the 2024 final binding target (including a CBR of 4.01%). In the same way, Belfius MREL subordination of EUR 15.0 billion amounts 23.5% to be compared with EUR 19.26% of the binding target (including a CBR of 4.01%). Expressed in LRE, Belfius MREL subordination of 9.6% stands in excess of 6.84% MREL requirement.

Liquidity reserves

At the end of June 2021, Belfius Bank had readily realisable liquidity reserves of EUR 43.0 billion, a material increase from end 2020 levels (EUR 35.7 billion) mainly due to increase of commercial funding and the participation in the TLTRO. These reserves consisted of EUR 33.4 billion in cash, EUR 7.4 billion in ECB eligible bonds (of which EUR 6.4 billion are CCP-eligible), EUR 1.3 billion in other assets also eligible at the ECB and EUR 0.9 billion in other liquid bonds. These liquidity reserves represent 8.3 times the Bank's institutional funding outstanding end of June 2021 and having a remaining maturity of less than one year.

Funding diversification at Belfius Bank

The total funding of Belfius Bank amounted to EUR 145 billion as at 30 June 2021 compared to EUR 135 billion as at end December 2020.

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. RC and PC funding amounts in total to EUR 108.8 billion. The increase of EUR 3.7 billion commercial funding compared to end of 2020 is mainly used to finance the growth in commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, decreased slightly under Covid-19 crisis and stands at 88% at the end of June 2021.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.7 billion from covered bonds, EUR 2.9 billion from Senior Unsecured, and EUR 15.7 billion in TLTRO funding from ECB as at 30 June 2021. The Non-Preferred Senior Bonds of EUR 2.7 billion enable Belfius to prepare for the regulatory requirement of MREL Subordinated. Note that during the first half of 2021, Belfius Bank issued EUR 0.5 billion Preferred Senior Bonds and EUR 0.5 billion Non-Preferred Senior Bonds. The Non-Preferred Senior Bonds are in a Green format.

The remainder of the Bank's funding sources comes from institutional shortterm deposits (Treasury) mainly by issuing Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral). Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

Encumbered assets

According to the EBA guideline based on the median values of the encumbrance reportings of the last four quarters, the encumbered assets at Belfius Bank level amount to EUR 46.9 billion in June 2021 and represent 26.4% of total bank balance sheet and collateral received under securities format. This represents a slight increase of the encumbrance ratio of +0.1% compared to end 2020, this increase being entirely explained by the additional withdrawal of EUR 1.4 billion under TLTRO III.

Belfius is active on the covered bond market since the set-up of the first covered bond program in 2012. In June 2021 (point in time), the total amount issued was EUR 7.8 billion. End June 2021, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.7 billion (stable since end 2020).

The Bank is also collecting funding through repo markets and other collateralized deposits. End June 2021, the total amount of assets used as collateral for this activity amounts to EUR 22.0 billion, of which EUR 19.6 billion linked to the ECB funding. The increase of this amount is explained by the additional withdrawal under TLTRO III.

The balance of encumbered assets is also linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 11.3 billion point in time (decrease of EUR 2.2 billion compared to end 2020), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

Non-financial risk – operational risk

The operational risk management framework has been extended to a “Non-Financial Risk” management framework. The term Non-Financial Risk (NFR) must be understood as a broad umbrella covering all risks except “financial risks” (such as market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT, IT-security, business continuity, outsourcing, data-related risks, privacy ...) as well as reputational, compliance, legal risks, etc.

The NFR management framework determines the principles that ensure an effective management of the non-financial risks. The principles are further elaborated in specific Policies/Guidelines adapted to the business activities. These general principles are compliant with the applicable legal and regulatory requirements.

The framework is based on four pillars:

- (a) a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- (b) clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the 3 “Lines of Defence” model (decentralized responsibility);
- (c) a strong governance/committee structure involving the appropriate level of management; and
- (d) transversal risk processes and related policies, such as: self assessment of risks and internal controls, incident monitoring, risk reporting, risk appetite definition and follow up, business continuity and crisis management.

Risk Appetite

The formal definition of a Risk Appetite Framework is the key reference for the group Risk Management practice and it covers both financial and non-financial risks.

The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

“Risks”: What are the risks? How to appreciate the risk level (past and forward looking)?

“Risk management capacity”: What is the capacity to manage the risks?

“Loss tolerance”: What are the potential P&L and future RWA impacts Belfius tolerates?

Transversal risk processes

Incident Management

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents occur. Major incidents are investigated thoroughly and are reported to the CRO/Management Board. Such incidents are also subject to specific action plans and appropriate follow-up under the responsibility of the concerned line management for avoidance, mitigation or limitation of the related risk.

The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount but not necessarily in number of events. The most important part of the financial impact resulting from operational incidents comes from the Bank’s retail business.

Self Assessment of Risks and Internal Controls

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group’s main entities. This is achieved through a bottom-up Self-Assessment of Risks and Internal Controls in all departments and subsidiaries, using the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”) methodology¹⁷ to determine the internal control level. These exercises may result in the development of additional action plans to further reduce potential risks. These exercises also provide an excellent overview of the main risk areas in the various businesses. These self-assessments are conducted annually, and the results are submitted to the respective Boards of Directors through the reports regarding the assessment of internal control. Belfius Bank also submits the senior management report on the assessment of the internal control to its regulators.

New Product Approval Process

The process of developing or changing a function (product, service, activity, process or system) involves a sound (ex-ante) risk assessment, the so-called New Product Approval Process. Its purpose is to ensure that all risks related to any new or changed functions are assessed by relevant experts and addressed accordingly and is overseen by a dedicated steering committee.

Managing insurance policies

The possible financial impact of Belfius Bank’s operational risks is also mitigated by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business and cyber risk. This is standard practice in the financial services’ industry.

Business continuity & crisis management

Belfius Bank is committed to its clients, counterparties and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation.

The supporting process, the business continuity and crisis management, is in a uniform way applied at all Belfius’ entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote

¹⁷ The effectiveness and the efficiency of key controls are evaluated via the 5 COSO components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. Together they make sure that the risk management is line with the risk appetite. The scale of the applied quality comprises 6 notations from 0 (not applicable) to 1 (very weak or non-existing control) up to 5 (very efficient and effective control). The average of the components of the applied controls is calculated automatically and determines the quality of key controls on the key risks and as such the level of residual risk.

work, etc.), effective management reporting, business continuity plans as well as exercise and maintenance programs. In that way, Belfius can proof its resilience also to the current COVID-19 situation.

Focus on key non-financial risks/domains

Information security

For Belfius Bank, the purpose of information security is to protect Belfius Bank's information that has a value for the organization: *i.e.*, the information generated by the business, the information belonging to our clients, and also the information derived from freely accessible or publicly available data, which has acquired a value as a result of the treatment carried out by or on behalf of Belfius Bank. The threats against data and the information are their loss of integrity, their loss of confidentiality and their unplanned unavailability. The mission of information security is to safeguard against these threats.

Belfius Bank also considers that the objective regarding information security extends to managing the risks linked to the consequences of these threats if they have materialized in terms of customers' confidence, finance, reputation, peer confidence (regulators, financial markets) and confidence of our business partners. An information security strategy derived from these principles has been approved and is applicable to all actions pertaining to information security.

In order to guarantee the information security within Belfius Bank, the Information Security Steering (ISS) Committee, managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer, ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements towards information security.

The steering of Belfius information security is relying on tangible figures and quantitative statements: deviations from risk appetite are challenged. Moreover, large security projects are grouped together in a security roadmap which typically spans the course of two years. Of course, the ever-evolving security threat landscape requires organizations to be resilient and anticipate on existing and future threats.

A risk management framework has been successfully implemented in 2020 for supporting the Core Banking Renewal that is a major digital and transversal transformation project for the group leading to a change of paradigm for IT. Its governance relies on a CBR Controlling Board for managing the risks of this project. The CBR Controlling board is also chaired by the CRO and managed by the CISO.

Respect for privacy, protection of personal data and customer satisfaction

The respect for privacy and the protection of personal data is a key commitment at Belfius Bank, which is translated into a sound internal governance and principles to be followed in respect of GDPR. Belfius is also very committed to avoid personal data breaches and to manage any incident as quickly as possible.

Belfius published in May 2020 an updated privacy charter – the initial GDPR-version dates from May 2018 - on its website and informed its customers about this update. Towards the staff, an HR-privacy charter is published.

All activities treating personal data are obviously centrally documented by the business lines in a privacy register. GDPR conformity, including a risk assessment for the rights and freedom of the persons whose personal data is treated, is integrated into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its clients.

In order to continuously guarantee data privacy within Belfius, a dedicated steering related to GDPR regularly meets and a Data Privacy Officer (DPO) is part of the 2nd line of defence. The Belfius Management and several committees are on a recurrent basis informed about GDPR in Belfius. A network of privacy correspondents, active in each department, has been set up. They work closely with the DPO to continuously raise awareness, control and monitor processes and activities being in line with GDPR. Staff members must also follow on a regular basis GDPR-courses.

Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius online applications and mobile apps. More than 98% of the data subject rights are asked via the Belfius online app and receive an answer in the same app within 1 business day.

Fraud risk

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external and mixed fraud schemes), is monitoring the threats continuously and is managing the risk based on a global anti-fraud policy defined and steered by senior management

The roles and responsibilities have been clearly defined which implies in a concrete manner that business and support lines are the first risk managers. The CRO and NFR team including the Anti-Fraud Officer as expert has a clear 2nd Line of Defence (LoD) role.

In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders. More traditional Phishing techniques and cyber fraud cases need continuous investments to protect clients against potential impacts of these fraud schemes.

6.8. Ratings

As at the date of this Base Prospectus, Belfius Bank had the following ratings:

	Stand-alone rating (*)	Long-term rating	Outlook	Short-term rating
Fitch.....	A-	A-	Stable	F1
Moody's.....	Baa1	A1	Stable	Prime-1
Standard and Poor's.....	A-	A-	Stable	A-2

() Intrinsic creditworthiness*

The rating agencies, Standard & Poor's, Moody's and Fitch Ratings or other rating agency if applicable, use ratings to assess whether a potential borrower will be able in the future to meet its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company's net assets, financial position and earnings performance. In addition, Belfius Bank is wholly owned by the Belgian federal state through the Federal Holding and Investment Company, and it is possible that, if the ratings assigned to the Belgian federal state were to be downgraded, that could result in the ratings assigned to Belfius Bank being negatively affected. Moreover, as the ownership of a bank is one of the factors taken into in determining a bank's rating, a change of ownership of Belfius Bank could have a potential impact on the ratings assigned to Belfius Bank. A bank's rating is an important comparative element in its competition with other banks. It also has a significant influence on the individual ratings of a bank's important subsidiaries. A downgrading or the mere possibility of a downgrading of the rating of Belfius Bank or one of its subsidiaries might have adverse effects on the relationship with customers and on the sales of the products and services of the company in question. In this way, new business could suffer, Belfius Bank's competitiveness in the market might be reduced, and its funding costs would increase substantially. A downgrading of the rating would also have adverse effects on the costs to Belfius Bank of raising equity and borrowed funds and might lead to new liabilities arising or to existing liabilities being called that are dependent upon a given rating being maintained. It could also happen that, after a downgrading, Belfius Bank would have to provide additional collateral for derivative transactions in connection with rating-based collateral arrangements. If the rating of Belfius Bank were to fall within reach of the non-investment grade category, it would suffer considerably. In turn, this would have an adverse effect on Belfius Bank's ability to be active in certain business areas.

6.9. Other information

Dependency of the Issuer

The Issuer is not dependent on any of its subsidiaries, save for Belfius Insurance SA/NV. Belfius Insurance SA/NV holds the licenses required for insurance undertakings, and Belfius Bank consequently relies on it for the insurance activities carried out by it.

Arrangements resulting in a change of control

As at the date of this Base Prospectus, there are no arrangements known to Belfius Bank, the operation of which may at a subsequent date result in a change of control of Belfius Bank.

Recent events

Other than as stated in the section entitled "Post-balance sheet events" above, as at the date of this Base Prospectus there are no recent events particular to Belfius Bank which are, to a material extent, relevant to the evaluation of its solvency.

6.10. Litigation

Belfius (Belfius Bank and its consolidated subsidiaries) is as a party involved in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and taxpayer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be:

- (a) a present obligation has arisen as a result of past events;
- (b) it is probable that Belfius will have to make a payment; and
- (c) the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not⁽¹⁾. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

⁽¹⁾ Note that, where relevant, Art. 92 of IAS 37 may apply to this section.

1. Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Enterprise Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communale), placed by Belfius acting as dealer under the Municipal Holding commercial paper programme between July and September 2011. Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on

this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. one procedure before the Dutch-speaking Enterprise Court of Brussels and another procedure before the Court of First Instance of Brussels:

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch-speaking Enterprise Court of Brussels (the "Deminor Proceedings"). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. On 16 November 2020, a further "Deminor" procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they will be treated together.

The plaintiffs have requested that the Brussels courts rule, among other things:

in first order, that the agreements pursuant to which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;

that the defendants therefore should reimburse, in solidum, the plaintiffs' financial contribution in these entities plus interest;

that, in the alternative, a compensation is asked from Belfius Bank for an alleged violation of the information duty; and

that the defendants are liable for certain additional damages to the plaintiffs.

The historical financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Enterprise Court of Brussels. In the meantime, the VZW Arcoclaim also intervenes in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/shareholders). On 1 February 2021, Belfius Bank submitted its final legal briefs. The case has been pleaded during several pleading sessions in June 2021.

Considering standard timings of proceedings before the Commercial Court of Brussels, a judgment could be issued before end 2021.

Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels stating that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (such as the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 February 2018 to intervene in this procedure and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco shareholders organised themselves via social media to mobilise other Arco shareholders to become claimant in this procedure, and to the knowledge

of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. The VZW Arcoclaim also intervenes in this litigation procedure. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments in order for these claims to be declared inadmissible and/or without merit.

3. Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by Belfius Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by Belfius Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

4. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation.

On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (*onderzoeksrechter/juge d'instruction*) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. Belfius Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque Internationale à Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above-mentioned police search.

5. Investigation by public prosecutor into the activities of an independent bank agency

Public prosecution has been initiated, amongst others against Belfius Bank, for its alleged role in potentially fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations.

After a first consultation of the criminal file early January 2021, Belfius continues to believe that it has sufficient valid arguments in order for these claims to be declared inadmissible and/or without merit.

No provision has been booked for this case.

6.11. Management and Supervision of Belfius Bank

6.11.1. Composition of the Management Board and the Board of Directors

A. Management Board

The Management Board currently has five members who have all acquired experience in the banking and financial sector. The members of the Management Board form a college.

As from 1 January 2019, the Management Board has consisted of the following five members:

Name	Position	Significant other functions performed outside Belfius Bank
Marc Raisière.....	Chairman	none
Marianne Collin.....	Member	none
Dirk Gyselinck.....	Member	none
Olivier Onclin.....	Member	none

Name	Position	Significant other functions performed outside Belfius Bank
Johan Vankelecom	Member	none

In addition, effective 1 January 2019, the Management Board in consultation with the Board of Directors appointed three associated members, Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

A Group Committee was also established from 1 January 2019 onwards. This Committee is made up of the five members of the Management Board of Belfius Bank and the chairman of the Management Board and the CFO of Belfius Insurance and the three associated members of the Management Board in an advisory capacity. The Group Committee deals with various group strategic matters and important issues for a bank insurance group. Within the Management Board of Belfius Bank, the financial conglomerate dimensions receive a focused attention. To this end the agenda of the Management Board includes since 2020, at this least on a quarterly basis, a Group Financial Conglomerate Review (GFCR). This GFCR aims at contributing to enable an optimal integration across the Belfius Group.

The above members of the Management Board have their business address at 1210 Brussels, Place Charles Rogier 11, Belgium.

The Management Board is responsible for the effective management of Belfius Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors. These powers do not include determining Belfius Bank's overall policy, nor actions reserved for the Board of Directors by the other provisions in the Belgian Companies and Associations Code or by the Banking Law.

The Management Board ensures that Belfius Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and recommendations to the Board of Directors with a view to define or improve Belfius Bank's general policy and strategy.

The members of the Management Board form a collegial body. They are required to carry out their duties in complete objectivity and independence.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures, including supervisory measures, to ensure that Belfius Bank has a robust and sustainable organisation structure suited to Belfius Bank's organisation in order to guarantee the effective and prudent management of Belfius Bank in accordance with the Banking Law.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the Management Board and their private interests and other duties.

B. Board of Directors

The Board of Directors defines and supervises the strategy and objectives of the bank as well as the risk management, including the level of risk appetite, on proposal or recommendation of the Management Board.

In the context of this responsibility, the Board of Directors is actively involved in general policy, in particular with regard to supervision of the risk policy, organisation and financial stability of the bank and its governance, including the definition of the bank's objectives and values. As Belfius Bank is head of the Belfius Financial Conglomerate, the Board of Directors is also responsible for the general policy, risk appetite and strategy of the Belfius group and the compliance of the subsidiaries herewith.

The Board of Directors approves the bank's governance memorandum.

Pursuant to the articles of association of Belfius Bank, the Board of Directors of Belfius Bank is composed of a minimum of ten members appointed for maximum terms of four years. The table below sets forth the names of the Directors, their position within Belfius Bank and the other significant functions they perform outside Belfius Bank.

The business address for the members of the Board of Directors is 1210 Brussels, Place Charles Rogier 11, Belgium.

As from 28 April 2021, the Board of Directors consists of sixteen members, five of whom sit on the Management Board.

The appointment of two new independent directors, Mr. Bruno Brusselmans and Mr. Peter Hinssen have been submitted to and accepted by the Ordinary General Meeting of Shareholders of 2021.

Mr. Jozef Clijsters and Mr. Jean-Pierre Delwart resigned as Independent Director and chairman of the Board of Directors and Independent Director respectively on 28 April 2021 following the Ordinary General Meeting of Shareholders of 2021. Mr. Chris Sunt was appointed as Chairman of the Board of Directors from 28 April 2021 following the Ordinary General Meeting of Shareholders of 2021 in replacement of Mr. Jozef Clijsters.

The Board of Directors, which is made up of professionals from a variety of industries, including the financial sector, has the expertise and experience required associated with Belfius Bank's various operating businesses.

Name	Position	Significant other functions performed outside Belfius Bank
Chris Sunt	Chairman of the Board of Directors of Belfius Bank Independent Director	none
Marc Raisière.....	Chairman of the Management Board Responsible for IT, Digital & Data, Human Resources Management, Communication, Audit, Corporate Office & Secretary General	none
Marianne Collin.....	Member of the Management Board Chief Risk Officer Responsible for Risk Management and Compliance	none
Dirk Gyselinck.....	Member of the Management Board Responsible for Wealth, Enterprises & Public	none
Olivier Onclin.....	Member of the Management Board Responsible for Private Business & Retail Banking	none

Name	Position	Significant other functions performed outside Belfius Bank
Johan Vankelecom	Member of the Management Board Chief Financial & Strategic Officer, Responsible for Corporate Strategy, M&A/Partnerships/ Participations, Capital Management, Financial Conglomerate Steering and Investor Relations, ALM, Legal & Tax, Accounting, Strategic Planning and Performance Management (SPPM), Strategic Research & Belfius' Asset Management	none
Paul Bodart	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of companies and non-profit organisations
Bruno Brusselmans.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chief Information Officer at Luminus-EDF Group
Martine De Rouck	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of companies
Carine Doutrelepont	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and full Professor at the Université Libre de Bruxelles (ULB)
Peter Hinssen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of companies
Georges Hübner	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at HEC Liège - University of Liège
Isabel Neumann.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Non-Executive Director at King's college London University
Diane Zygas-Rosen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Independent Director at Belgian Red Cross
Lutgart Van Den Berghe	Member of the Board of Directors of Belfius Bank (Independent Director)	Emeritus extraordinary Professor at the University of Ghent (UG) and emeritus part-time Professor at the Vlerick Business School

Name	Position	Significant other functions performed outside Belfius Bank
Rudi Vander Vennet	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor in Financial Economics and Banking at the University of Ghent (UG) and lecturer Banking and Insurance at Solvay Business School (ULB)

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the Board of Directors and their private interests and other duties.

6.11.2. Advisory committees set up by the Board of Directors

The Board of Directors of Belfius Bank established various advisory committees to assist in its task, *i.e.* a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. In line with the EBA guidelines, the majority of the members of the advisory committees are independent directors. These directors are members of a maximum of three of these advisory committees. A Mediation Committee and a Technology Committee have also been installed within the governance of the Belfius group.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of any of the following advisory committees and their private interests and other duties.

A. Nomination Committee

As of the date of this Base Prospectus, the Nomination Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe	Chairman – Director of Belfius Bank
Chris Sunt	Member – Chairman of the Board of Directors of Belfius Bank
Diane Zygas-Rosen.....	Member – Director of Belfius Bank

The members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on the composition and operation of Belfius Bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

The Nomination Committee:

- identifies and recommends, for approval of the Shareholders Meeting or of the Board of Directors as the case may be, suitable candidates to fill in vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the expected time commitment; the Nomination Committee also sets the target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;

- periodically, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the capacity of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines issues related to the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the implementation of corporate governance rules;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum and, if necessary, proposes amendments; and
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and remediation actions.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by a single individual or a small group of individuals, in a way which might be prejudicial to the interests of Belfius Bank as whole.

The Nomination Committee may use any type of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

The Nomination Committee acts for Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

B. Remuneration Committee

As of the date of this Base Prospectus, the Remuneration Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe	Chairman – Director of Belfius Bank
Chris Sunt	Member – Chairman of the Board of Directors of Belfius Bank
Diane Zygas-Rosen.....	Member – Director of Belfius Bank

The members of the Remuneration Committee have the required skills, on the basis of their educational and professional experience, to give a competent and independent judgment on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of Belfius Bank.

In order to perform its tasks correctly, the Remuneration Committee interacts regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group’s risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit are correctly taken into consideration in decisions relating to remuneration policy.

The Audit Committee contributes to the establishment of objectives for the Auditor General and the Compliance Officer.

The Remuneration Committee prepares the decisions of the Board of Directors by *inter alia*:

- developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the General Meeting for approval.
- developing the remuneration policy as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the chairman and the members of the Management Board.
- providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the remuneration committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board.
- advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of the Belfius group (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people.
- preparing the remuneration report approved by the Board of Directors and published in the annual report.
- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions.
- annually assessing the performance and objectives of the members of the Management Board.
- providing an opinion of the elaboration of a global "Risk Gateway" in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor & the Compliance Officer).

The Remuneration Committee acts for both Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

C. Audit Committee

As at the date of this Base Prospectus, the Audit Committee of Belfius Bank has the following membership:

Name	Position
Georges Hübner	Chairman Director of Belfius Bank
Paul Bodart	Member Director of Belfius Bank
Martine De Rouck.....	Member Director of Belfius Bank
Diane Zygas-Rosen.....	Member Director of Belfius Bank

The majority of the members of the audit committee are independent directors. Members of the audit committee have collective expertise in the field of banking, accountancy and auditing. At least one independent director of the audit committee is an expert in the field of accounting and/or audit.

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision. The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. However, the respective Audit Committees of Belfius Bank and Belfius Insurance held three joint meetings in 2020, in particular when the insurance company's annual financial statements for 2019 and the half-yearly financial statements at 30 June 2020 were presented.

D. Risk Committee

As at the date of this Base Prospectus, the Risk Committee has the following membership:

Name	Position
Rudi Vander Venet	Chairman Director of Belfius Bank
Georges Hübner	Member Director of Belfius Bank
Martine De Rouck.....	Member Director of Belfius Bank

The members of the Risk Committee have the individual expertise and professional experience required to define the strategy regarding risk and the level of risk appetite of Belfius Bank.

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding Belfius Bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by Belfius Bank with its customer tariffs;
- assessing activities which expose Belfius Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and Belfius Bank's liquidity situation;
- the guarantee that risks are proportional to Belfius Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on Belfius Bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks faced by Belfius Bank; and
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

The Risk Committee of Belfius Bank operates independently of the Risk and Underwriting Committee of Belfius Insurance. At the request of the Chairman of Belfius Bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of

the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system properly take into consideration the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

The Risk Committee and the Audit Committee periodically exchange information, in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and may take the form of a joint meeting.

E. Mediation Committee

A Mediation Committee has been established within the Belfius group.

As at the date of this Base Prospectus, the Mediation Committee has the following membership:

- Chairman**..... Chris Sunt
Chairman of the Board of Directors of Belfius Bank
- Members**..... Martine De Rouck
Member
Independent Director of Belfius Bank
- Carine Doutrelepont
Member
Independent Director of Belfius Bank
- Jean-Michel Kupper
Member
Independent Director of Belfius Insurance
- Cécile Coune
Member
Independent Director of Belfius Insurance

The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries, which may give rise to potential conflicts of interest. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

F. Technology Committee

A Technology Committee has been established within the Belfius group in May 2021.

As at the date of this Base Prospectus, the Technology Committee has the following membership:

- Chairman**..... Paul Bodart
Independent Director of Belfius Bank
- Members**..... Bruno Brusselmans
Member
Independent Director of Belfius Bank
- Carine Doutrelepont
Member
Independent Director of Belfius Bank
- Peter Hinssen
Member
Independent Director of Belfius Bank
- Jean-Michel Kupper

Member
Independent Director of Belfius Insurance

Isabel Neumann
Member
Independent Director of Belfius Bank

Stijn Bijmens
Member
IT Counsel Belfius Bank

The tasks of the Technology Committee can be divided into three domains:

- The first domain relates to: Information Technology in the broad sense, including but not limited to cloud- and other platforms, IT security, software development; hereinafter called the 'IT' domain;
- The second domain relates to: Digital, impact on and transformation of the customer experience; hereinafter called the 'Digital' domain; and
- The third domain relates to data and artificial intelligence: hereinafter called the "Data domain".

Technology is understood to include, but not be limited to the IT, Digital and Data domains.

The Technology Committee has the responsibility to:

1. Advise the Board of Directors on, and prepare the decisions of the Board of Directors with respect to, technology strategy and material technology investment choices.
2. Monitor, evaluate and advise the Board of Directors on existing and future technology trends, regulation and competition / FinTech developments that may affect Belfius' strategic plans including the monitoring of overall industry trends and future trends concerning enterprise data management and the financial industry's use of data to maximize the customer experience value.
3. Assess, measure and advise the Board of Directors on Belfius' technological strategic milestones and transformational developments, such as customer experience, sales through digital channels and potential synergies with physical and other networks, potential partnerships.
4. Monitor and report to the Board of Directors on progress made with respect to the implementation of the technology decisions taken by the Board of Directors, including but not limited to, technology performance and security. This includes a.o. monitoring and challenging the status of the move for the cloud infrastructure (timing, pace, risk mitigation, hybrid models, talents), foundations and platforms.
5. Review and discuss reports from management on technology related activities, strategies and metrics, including enterprise data project performance, and report to the Board of Directors on same.

Responsibility for the oversight of risks associated with Technology, including risk assessment and risk management, shall remain with the Risk Committee and Audit Committee of the Board of Directors.

The following recurrent topics, inter alia, will be dealt with at the joint Risk and Audit Committee of Belfius Bank or at the Joint RUC and Audit Committee of Belfius Insurance:

- Quarterly report of IT risks, included Core Banking Renewal risks and Core Insurance renewal risks;
- Status IT security roadmap, including IT incidents;
- Digital security: incidents, IT part of the NFR – RAF;
- Audit missions regarding IT, Data & Digital risks.

The Technology Committee will receive the above-mentioned topics discussed at joint Risk and Audit Committee of Belfius Bank or at the Joint RUC and Audit Committee of Belfius Insurance for information purpose.

6.12. Selected Financial Information

The following tables summarise the consolidated balance sheet and income statement of Belfius Bank for the period ending 31 December 2019 and 31 December 2020.

- Consolidated Balance Sheet**

	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Assets	<i>(in thousands of EUR)</i>	
Cash and balances with central banks	6,715,928	25,433,799
Loans and advances due from credit institutions	16,207,838	11,911,665
Measured at amortised cost	16,207,838	11,911,665
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit or loss	0	0
Loans and advances	94,944,479	98,108,050
Measured at amortised cost	93,391,477	96,811,908
Measured at fair value through other comprehensive income	0	0
Measured at fair value through profit or loss	1,553,002	1,296,142
Debt securities & equity instruments	29,489,565	28,848,865
Measured at amortised cost	22,476,427	22,039,067
Measured at fair value through other comprehensive income	5,257,278	5,170,430
Measured at fair value through profit or loss	1,755,860	1,639,368
Unit linked products insurance activities	3,671,372	3,813,059
Derivatives	13,304,709	12,188,113
Gain/loss on the hedged item in portfolio hedge of interest rate risk	4,881,797	4,631,922
Investments in equity method companies	64,124	98,880
Tangible fixed assets	1,215,355	1,189,898
Intangible assets	206,384	195,833
Goodwill	103,966	103,966
Tax assets	338,443	403,390
Current tax assets	53,723	33,622
Deferred tax assets	284,720	369,769

	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Assets	<i>(in thousands of EUR)</i>	
Technical insurance provisions - part of the reinsurer	108,074	107,075
Other assets	1,163,606	931,216
Non current assets (disposal group) held for sale and discontinued operations	23,826	25,700
Total assets	172,439,465	187,991,433
	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Liabilities	<i>(in thousands of EUR)</i>	
Cash and balances from central banks	4,016,777	14,173,519
Credit institutions borrowings and deposits	5,819,363	5,008,193
Measured at amortised cost	5,819,363	5,008,193
Measured at fair value through profit or loss	0	0
Borrowings and deposits	85,449,910	95,337,975
Measured at amortised cost	85,397,137	95,286,940
Measured at fair value through profit or loss	52,773	51,036
Debt securities issued and other financial liabilities	27,654,505	24,402,198
Measured at amortised cost	19,341,686	16,068,804
Measured at fair value through profit or loss	8,312,819	8,333,394
Unit linked products insurance activities	3,671,372	3,813,059
Derivatives	18,630,116	18,310,156
Gain/loss on the hedged item in portfolio hedge of interest rate risk	262,708	373,447
Provisions for insurance activities	13,180,229	12,659,377
Provisions and contingent liabilities	517,345	624,107
Subordinated debts	1,157,266	1,150,681
Measured at amortised cost	1,157,266	1,150,681
Measured at fair value through profit or loss	0	0
Tax liabilities	136,648	84,660
Current tax liabilities	81,540	68,470
Deferred tax liabilities	55,108	16,190

	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Other liabilities	1,437,224	1,320,664
Liabilities included in disposal group and discontinued operations	0	0
Total liabilities	161,933,465	177,258,036

	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Equity	<i>(in thousands of EUR)</i>	
Subscribed capital	3,458,066	3,458,066
Additional paid-in capital	209,232	209,232
Treasury shares	0	0
Reserves and retained earnings	5,013,573	5,616,576
Net income for the period	667,496	531,615
Shareholders' core equity	9,348,367	9,815,490
Fair value changes of debt instruments measured at fair value through other comprehensive income	336,856	213,853
Fair value changes of equity instruments measured at fair value through other comprehensive income	262,716	121,161
Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income	0	0
Fair value changes of derivatives following cash flow hedging	(81,709)	(68,761)
Remeasurement pension plans	84,319	69,161
Discretionary participation features of insurance contracts	33,212	57,552
Other reserves	212	208
Gains and losses not recognised in the statement of income	635,605	393,173
Total shareholders' equity	9,983,972	10,208,663
Additional Tier-1 instruments included in equity	497,083	497,083
Non-controlling interests	24,945	27,651
Total Equity	10,506,000	10,733,397

	31 December 2019 IFRS 9	31 December 2020 IFRS 9
Equity	<i>(in thousands of EUR)</i>	
Total Liabilities and Equity	172,439,465	187,991,433

• **Consolidated Statement of Income**

	Notes	31 December 2019 IFRS 9	31 December 2020 IFRS 9
		<i>(in thousands of EUR)</i>	
Interest income	7.1	3,441,636	3,352,799
Interest expense	7.1	(1,541,463)	(1,361,293)
Dividend income	7.2	70,279	50,265
Net income from equity method companies	7.3	4,918	4,848
Net income from financial instruments at fair value through profit or loss	7.4	96,148	24,086
Net income on investments and liabilities	7.5	53,190	54,517
Fee and commission income	7.6	756,445	810,261
Fee and commission expenses	7.6	(176,873)	(169,319)
Technical result from insurance activities	7.7	(19,975)	67,851
Gross earned premiums		1,463,046	1,475,214
Other technical income and charges		(1,483,021)	(1,407,363)
Other income	7.8	216,569	217,989
Other expense	7.9	(412,287)	(438,356)
Income		2,488,587	2,613,649
Staff expense	7.10	(636,777)	(630,182)
General and administrative expenses	7.11	(488,519)	(471,136)
Network costs		(212,174)	(211,417)
Depreciation and amortisation of fixed assets	7.12	(114,909)	(152,184)
Expenses		(1,452,379)	(1,464,919)
Gross income		1,036,208	1,148,730
Impairments on financial instruments and provisions for credit commitments	7.13	(111,438)	(453,133)
Impairments on tangible and intangible assets	7.14	(6,761)	(16,614)
Impairments on goodwill	7.15	0	0

	Notes	31 December 2019 IFRS 9	31 December 2020 IFRS 9
		<i>(in thousands of EUR)</i>	
Net income before tax		918,010	678,984
Current tax (expense) income	7.16	(210,116)	(228,428)
Deferred tax (expense) income	7.16	(41,791)	81,069
Total Tax (expense) income		(251,907)	(147,360)
Net income after tax		666,103	531,624
Discontinued operations (net of tax)		0	0
Net income		666,103	531,624
Attributable to non-controlling interests		(1,393)	9
Attributable to equity holders of the parent		667,496	531,615

The following tables summarise the consolidated balance sheet and income statement of Belfius Bank for the period ending 30 June 2021.

⁽¹⁾ **Consolidated Balance Sheet**

	30 June 2021 IFRS 9
	<i>(in thousands of EUR)</i>
Assets	
Cash and balances with central banks	33,721,380
Loans and advances due from credit institutions	10,596,494
Measured at amortised cost	10,596,494
Measured at fair value through other comprehensive income	0
Measured at fair value through profit or loss	0
Loans and advances	100,103,844
Measured at amortised cost	98,872,136
Measured at fair value through other comprehensive income	8,638
Measured at fair value through profit or loss	1,223,070
Debt securities & equity instruments	28,347,749
Measured at amortised cost	21,745,763
Measured at fair value through other comprehensive income	4,910,105
Measured at fair value through profit or loss	1,691,881

Unit linked products insurance activities	4,227,511
Derivatives	9,752,470
Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,980,765
Investments in equity method companies	90,250
Tangible fixed assets	1,164,467
Intangible assets	200,991
Goodwill	103,966
Tax assets	422,477
Current tax assets	81,084
Deferred tax assets	341,393
Technical insurance provisions - part of the reinsurer	104,382
Other assets	1,117,437
Non-current assets (disposal group) held for sale and discontinued operations	27,741
Total assets	193,961,925

30 June 2021
IFRS 9

Liabilities	<i>(in thousands of EUR)</i>
Cash and balances from central banks	15,676,144
Credit institutions borrowings and deposits	6,615,913
Measured at amortised cost	6,615,913
Measured at fair value through profit or loss	0
Borrowings and deposits	99,364,177
Measured at amortised cost	99,312,904
Measured at fair value through profit or loss	51,272
Debt securities issued and other financial liabilities	26,731,798
Measured at amortised cost	18,452,374
Measured at fair value through profit or loss	8,279,424
Unit linked products insurance activities	4,227,511
Derivatives	14,877,895
Gain/loss on the hedged item in portfolio hedge of interest rate risk	209,494
Provisions for insurance activities	12,034,185

	30 June 2021
	IFRS 9
Provisions and contingent liabilities	<u>537,421</u>
Subordinated debts	1,133,851
Measured at amortised cost	1,133,851
Measured at fair value through profit or loss	0
Tax liabilities	59,941
Current tax liabilities	46,134
Deferred tax liabilities	13,806
Other liabilities	1,401,641
Liabilities included in disposal group and discontinued operations	0
Total liabilities	182,869,970

	30 June
	2021
	IFRS 9
Equity	<u>(in thousands of EUR)</u>
Subscribed capital	3,458,066
Additional paid-in capital	209,232
Treasury shares	0
Reserves and retained earnings	6,077,431
Net income for the period	405,691
Shareholders' core equity	10,150,420
Fair value changes of debt instruments measured at fair value through other comprehensive income	148,990
Fair value changes of equity instruments measured at fair value through other comprehensive income	156,829
Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income	0
Fair value changes of derivatives following cash flow hedging	(80,370)
Remeasurement pension plans	126,468
Discretionary participation features of insurance contracts	65,407
Other reserves	208

	30 June 2021 IFRS 9
Equity	<i>(in thousands of EUR)</i>
Gains and losses not recognised in the statement of income	417,531
Total shareholders' equity	10,567,951
Additional Tier-1 instruments included in equity	497,083
Non-controlling interests	26,921
Total Equity	11,091,955
Total Liabilities and Equity	193,961,925

⁽²⁾ **Consolidated Statement of Income**

	Notes	30 June 2021 IFRS 9
		<i>(in thousands of EUR)</i>
Interest income	7.1	1,664,426
Interest expense	7.1	(676,238)
Dividend income	7.2	43,895
Net income from equity method companies	7.3	1,754
Net income from financial instruments at fair value through profit or loss	7.4	35,158
Net income on investments and liabilities	7.5	6,934
Fee and commission income	7.6	457,512
Fee and commission expenses	7.6	(85,662)
Technical result from insurance activities	7.7	51,137
Gross earned premiums		730,083
Other technical income and charges		(678,946)
Other income	7.8	116,044
Other expense	7.9	(382,891)
Income		1,232,070
Staff expense	7.10	(302,378)
General and administrative expenses	7.11	(251,794)
Network costs		(108,514)
Depreciation and amortisation of fixed assets	7.12	(56,925)
Expenses		(719,611)

	Notes	30 June 2021 IFRS 9
		<u>(in thousands of EUR)</u>
Gross income		512,459
Impairments on financial instruments and provisions for credit commitments	7.13	30,543
Impairments on tangible and intangible assets	7.14	(720)
Impairments on goodwill	7.15	0
Net income before tax		542,281
Current tax (expense) income	7.16	(104,589)
Deferred tax (expense) income	7.16	(31,727)
Total Tax (expense) income		(136,316)
Net income after tax		405,965
Discontinued operations (net of tax)		0
Net income		405,965
Attributable to non-controlling interests		274
Attributable to equity holders of the parent		405,691

7. TERMS AND CONDITIONS OF THE EMPLOYER WARRANTS

(Annex 14.4 of Commission delegated regulation (EU) 2019/980)

The following is the text of the terms and conditions of the Employer Warrants (the “**Terms and Conditions of the Employer Warrants**” and together with the Terms and Conditions of the Employee Warrants, the “**Terms and Conditions**”, each chapter or subchapter individually referred to as “**Condition**”), subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Employer Warrants are to the Employer Warrants of one Series only, not to all Employer Warrants that may be issued under the Programme.

The Employer Warrants will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the Strike), the Employer Warrants of each Series being intended to be interchangeable with all other Employer Warrants of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price and principal amount of the Tranche will be identical to the terms of other Tranches of the same Series) will be set out in the Final Terms.

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a unilateral right to modify certain features of the Employer Warrants are:

- (a) Condition 7.7.1. Cancellation upon change of law or an Index Adjustment Event
- (b) Condition 7.9. Description of market disruption event or settlement disruption that affects the Underlying Index
- (c) Condition 7.10.1. Adjustments in case of the occurrence of an Index Replacement or an Index Adjustment Event

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a right to terminate and cancel the Employer Warrants under certain circumstances are:

- (a) Condition 7.7.1. Cancellation upon change of law or an Index Adjustment Event
- (b) Condition 7.10.1. Adjustments in case of the occurrence of an Index Replacement or an Index Adjustment Event

7.1. Form, Issue Price and Title

7.1.1. Form

An Employer Warrant constitutes a contractual claim (*schuldvordering/créance*) against the Issuer, subject to these Conditions, subject to completion and as supplemented in accordance with the provisions of the applicable Final Terms.

The Employer Warrants will be represented exclusively by book-entry in the records of Belfius Bank SA/NV as depositary of the Warrants (the Depositary) in accordance with Article 17 of Royal Decree No. 62 of 10 November 1967 concerning the custody and clearing of fungible financial instruments (as coordinated) (Royal Decree No. 62).

The Employer Warrants will not be physically delivered and cannot be transferred to another depositary.

Each (prospective) holder of Employer Warrants must maintain a securities account and a cash account with the Depository for purposes of holding and transferring its Employer Warrants and exercising its rights under its Employer Warrants. There are no costs for holding the Employer Warrants on the securities account. There is a quarterly management fee of the cash account of 9.08 EUR (incl. VAT) and negative interest payments are due if certain barriers are broken.

The issue of the Employer Warrants has been authorized by resolutions of the Issuer, as will be specified in the relevant Final Terms.

7.1.2. Title and Transfer

The person who from time to time shows in the records of the Depository as the holder of an Employer Warrant will be considered as the “holder” of that Employer Warrant for all purposes. A certificate issued by the Depository as to the amount of Employer Warrants standing to the credit of any person shall be conclusive and binding for all purposes save in case of manifest error.

Title to the Employer Warrants will pass by account transfer within the accounts system of the Depository, in accordance with the applicable terms and conditions of the Depository.

All transactions (including permitted transfers) in relation to the Warrants must be effected through the Depository, subject to and in accordance with the applicable rules and procedures of the Depository.

Once an Employer Warrant has been exercised (as referred to in Condition 7.5 (*Exercise Procedure*) below), it can no longer be transferred to another person.

Employer Warrants may not be offered, sold or delivered (i) within the United States of America, including its territories and possessions, or to U.S. persons or (ii) in Belgium, to “consumers” (consommateurs/consumenten) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

7.2. Governing law and jurisdiction

The Employer Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels.

7.3. Currency

The Employer Warrants are issued in EUR and their value will always be expressed in EUR.

7.4. Definitions

The terms used in this Base Prospectus shall have the meaning as expressed hereunder, unless defined otherwise in this Base Prospectus. The definitions do not apply to terms used in the extracts and press releases that, as the case may be, are mentioned in this Base Prospectus.

Actual Exercise Date	: Means, in respect of any Employer Warrant, the date on which a duly completed Exercise Notice is delivered (or deemed to be delivered pursuant to Condition 7.5.1) in accordance with Condition 7.5.1 (<i>Exercise Notice</i>).
Business Day	A day on which commercial banks and foreign exchange markets settle payments and are open for general business in Belgium.
Calculation Agent	: Belfius Bank NV/SA (abbreviated as “ Belfius Bank ”), unless specified otherwise in the relevant Final Terms.
Commission	: The commission included in the Issue Price, as specified under the relevant Final Terms.

Companies and Associations Code	: The Belgian companies code, introduced by the Law of 7 May 1999 (as amended) or, to the extent applicable, the Belgian code of companies and associations, introduced by the Law of 23 March 2019 (as amended).
Component Security	: Each component security or other asset included in the Underlying Index.
Depository:	: Belfius Bank SA/NV.
Disrupted Day	: Any scheduled trading day on which (i) the Index Sponsor fails to publish the level of the Underlying Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event occurs.
Early Closure	: The closure on any Exchange Business Day of the Exchange in respect of any Component Security (in relation to Employer Warrants) or the Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Scheduled Closing Time or Valuation Time on such Exchange Business Day.
Early Termination Amount	: Means, with regards to Employer Warrants, that, if the Employer Warrants are cancelled upon the occurrence of (x) a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus or (y) an Index Adjustment Event and the Calculation Agent is unable to determine a substitute index or calculate the level of the Underlying Index in accordance with Condition 7.10, the Issuer will pay an amount to each of Employer Warrant Holder in respect of each Employer Warrant held by such Employer Warrant Holder which amount shall be the Fair Market Value of an Employer Warrant.
Employer Warrant Holder	: A person holding Employer Warrants through a participant or, in the case a participant acts on its own account, that participant.
Exchange	: Means, with regards to Employer Warrants, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.
Exchange Business Day	: Means, with regards to the Underlying Index, any Scheduled Trading Day on which , the Index Sponsor publishes the level of the Underlying Index and the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.
Exchange Disruption	: Means, with regards to the Underlying Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the

Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to any Component Security on any relevant Related Exchange.

- Exercise Notice** : Has the meaning given to such term in Condition 7.5 (*Exercise Procedure*).
- Exercise Period** : Each Business Day from (and including) the date as specified in the relevant Final Terms until (but excluding) the Maturity Date.
- Fair Market Value** : The valuation determined by the Calculation Agent using (i) the most relevant available market data, or, (ii) if no such relevant data may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The value of the Warrants is determined, as with options, by valuation models for options (for example, the ‘Black & Scholes’ model, trinomial model,...). Reference is made to the valuation principles laid down in Condition 7.6.1 below.
- Final Terms** : The document containing the specific final terms relating to a specific series of the Warrants.
- Guaranteed Cash Amount** : The guaranteed cash amount specified as such in the relevant Final Terms.
- IFRS** : International Financial Reporting Standards.
- In-the-money** : A call option with a Strike Price that is below the market price of the Underlying Index.
- Issue Date** : The issue date specified as such in the relevant Final Terms.
- Issue Price** : The issue price specified as such in the relevant Final Terms.
- Issuer** : Belfius Bank SA/NV.
- Market Disruption Event** : (a) (i) in respect of any Component Security, the occurrence or existence of:
- (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the

Exchange on which such Component Security is principally traded; or

(C) an Early Closure in respect of such Component Security; and

(ii) the portion of the level of the Underlying Index attributable to Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Underlying Index, in each case on the basis of the official opening weightings as published by the Index Sponsor as part of the market “opening data”; or

(b) the occurrence or existence in respect of futures or options contracts relating to the Underlying Index of:

(i) a Trading Disruption which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange;

(ii) an Exchange Disruption which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or

(iii) an Early Closure, in each case in respect of such futures or options contracts.

- Maturity Date** : The maturity date specified as such in the relevant Final Terms.
- Offer** : Any offer on the basis of and, in accordance with, this Base Prospectus and the relevant Final Terms.
- Offering Period** : The offering period specified as such in the relevant Final Terms.
- Parity** : The parity specified as such in the relevant Final Terms.
- Underlying Index** : MSCI Europe Net Total Return Index (M7EU). See section 13 (*The Underlying Index of Employer Warrants*) for a description of the Underlying Index.
- Related Exchange** : Means, with regards to the Employer Warrants and the Underlying Index, EUX-Eurex, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to the Underlying Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Underlying Index on such temporary substitute exchange or quotation system as on the original Related Exchange).
- Scheduled Closing Time** : Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

- Scheduled Settlement Date** : The second Business Day following the Actual Exercise Date, unless specified otherwise in the applicable Final Terms.
- Scheduled Trading Day** : In relation to the Underlying Index, any day on which: (i) the Index Sponsor is scheduled to publish the level of the Underlying Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.
- Strike Price** : The Strike Price of Employer Warrants is equal to 112.31% of the Initial Price of the Underlying Index, specified as such in the relevant Final Terms.
- Trading Disruption** : Means, with regards to Employer Warrants, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise, relating to any Component Security on the Exchange in respect of such Component Security, or in futures or options contracts relating to the Underlying Index on the Related Exchange.
- Valuation Date** : Means, in respect of any exercised Employer Warrant, the date specified as such in the applicable Final Terms or if such date is not a Scheduled Trading Day in respect of the Underlying Index, the Final Price of the Underlying Index shall be determined on the basis of the level of the Underlying Index as calculated on the immediately following Scheduled Trading Day or, if Averaging is specified as applicable in the Final Terms, means the final Averaging Date (in each case subject to Condition 7.9 (*Description of market disruption event or settlement disruption that affects the Underlying Index*)).
- Valuation Time** : (a) for the purposes of determining whether a Market Disruption Event has occurred:
- (i) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and
 - (ii) in respect of any options contracts or future contracts on the Underlying Index, the close of trading on the Related Exchange; and
- (b) in all other circumstances, the time at which the official level of the Underlying Index is calculated and published by the Index Sponsor.

7.5. Exercise Procedure

7.5.1. Exercise Notice

The day on which the Employer Warrants are exercised is called the Actual Exercise Date and falls within the Exercise Period. Employer Warrants may only be exercised by the delivery of a duly completed exercise notice (an **Exercise Notice**), sent by e-mail to the address BO-Derivatives-Manual-Settlement@belfius.be or to the relationship manager of Belfius Bank using the template form made available by the Depository. An Exercise Notice is only duly completed if it specifies:

- (i) the Series of the Employer Warrants and the number of Employer Warrants being exercised; and
- (ii) the Employer Warrant Holder's securities account at the Depository to be debited with the Employer Warrants.

An Exercise Notice delivered in accordance with the paragraph above is binding and irrevocable. After the delivery of an Exercise Notice in respect of any Employer Warrants, the holder of such Employer Warrants may not transfer such Employer Warrants

If not exercised in accordance with the Terms and Conditions during the Exercise Period, an Employer Warrant will become void and expire worthless, without any indemnification, reimbursement or other payment due to the holder of such Employer Warrant.

The Employer Warrant Holder shall pay the applicable subscription fees in the Underlying Index, as may exist at such time, and any applicable taxes in accordance with Condition 7.15 (*Taxation*) below.

An Employer Warrant Holder may also sell Employer Warrants to the Issuer on the secondary market. In such case the selling price of an Employer Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in Condition 7.6.1 below.

7.5.2. Settlement

Upon exercise, the Issuer will pay the Cash Settlement Amount (if any) to the holder of the Employer Warrant. The Cash Settlement Amount will be determined by the Calculation Agent in accordance with this Conditions on the basis of a comparison of the relevant Strike Price (as specified in the relevant Final Terms) and the level of the Underlying Index on or around the Actual Exercise Date (or, in case of "Averaging", the average level of the Underlying Index on the Averaging Dates specified in the Final Terms).

7.5.2.1 Settlement Date

The **Settlement Date** means the later of:

- (a) the Scheduled Settlement Date; or
- (b) if the Valuation Date is postponed due to the occurrence of a Disrupted Day, the Valuation Date.

On the relevant Settlement Date, the Issuer shall pay the Cash Settlement Amount (if any) to the holder of each duly exercised Employer Warrant.

Cash Settlement Amount means, in relation to any Employer Warrant being exercised, the amount determined by the Calculation Agent equal to:

- (a) if the Final Price is higher than the Strike Price:
 $(\text{Final Price} - \text{Strike Price}) \times \text{Parity} + \text{Guaranteed Cash Amount}$
- (b) otherwise:
Guaranteed Cash Amount.

The Cash Settlement Amount can be lower than the Issue Price or even zero.

7.5.2.2 Determination of the Final Price

On the Valuation Date, the Calculation Agent shall determine the **Final Price** as follows:

- (i) if Averaging is not specified in the applicable Final Terms: the level of the Underlying Index at the Valuation Time on the relevant Valuation Date; or
- (ii) if Averaging is specified in the applicable Final Terms: the arithmetic mean of the levels of the Underlying Index as of the Valuation Time on each Averaging Date.

7.5.3. Consequence of the Exercise

An Exercise Notice delivered in accordance with Condition 7.5.1 above is binding and irrevocable. After the delivery of an Exercise Notice in respect of any Employer Warrants, the holder of such Employer Warrants may not transfer such Employer Warrants.

7.5.4. Exercise period

These Employer Warrants can be exercised during the Exercise Period. Consequently, the only means through which the Employer Warrant Holder can realize value from the Employer Warrant prior to the Actual Exercise Date is to sell it through the secondary market.

The Exercise Period is defined in the relevant Final Terms.

7.6. Further information relating to the Employer Warrants

7.6.1. Information relating to the pricing of the Employer Warrants

The value of the Employer Warrants is determined, as with options, by valuation models for options (for example, the 'Black & Scholes' model, trinomial model,...). This value is determined by different variables. The impact of some of these variables can be described as follows:

- The Underlying Index: the value of an Employer Warrant increases if the Underlying Index's value increases in respect to the Strike Price.
- The volatility: the value of the Employer Warrant varies according to the expected volatility of the Underlying Index until Maturity Date. The volatility is the change in the value of the Underlying Index calculated over a fixed time interval. The probability of an Employer Warrant being more in-the-money is higher if the Underlying Index is highly volatile (i.e. if it has a large number of substantial price movements), than when the Underlying Index is little volatile. Accordingly, the value of an Employer Warrant will increase if the volatility of the Underlying Index increases.
- The remaining maturity: the longer the remaining maturity (until Maturity Date) of an Employer Warrant, the greater the probability of the Employer Warrant being in-the-money at a certain point in time during this remaining maturity. Therefore under normal circumstances, the value of the Employer Warrant with a longer remaining maturity will be greater than the value of an Employer Warrant with a shorter remaining maturity. In short, the value of the Employer Warrant decreases if the remaining maturity diminishes.
- The market interest rate for the remaining maturity: the value of the Employer Warrant increases if the market interest rate until Maturity Date increases.

Investors may find information about the historical returns of the Underlying Index on the website <https://www.msci.com/real-time-index-data-search> or, if such information cannot be consulted on the website, through a written request at the corporate seat of the Issuer.

Investors should take into consideration that all variables mentioned above may each influence the value of the Employer Warrant independently. In practice, any of these variables can vary at the same time. Consequently, the change in the value of the Employer Warrant can only be determined by taking into consideration the combined effect of the changes in value of each of these variables separately.

7.6.2. Information relating to the behaviour of the Employer Warrants

Generally, the (non-)occurrence of anticipated fluctuations in the value of the Underlying Index may disproportionately affect the value of Employer Warrants. Employer Warrants may expire worthless if the Underlying Index does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, an Employer Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, an Employer Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Index. Employer Warrant Holders should also consider that the return on the investment in Employer Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Employer Warrants. A general description of these costs is provided in Condition 7.6.3 below.

More in particular, investing in an Employer Warrant allows the Employer Warrant Holder to exercise its option(s) in case the Underlying Index value fixes above the Strike Price during the Exercise Period (i.e. in-the-money). The Employer Warrant Holder benefits in this case of the increase of the Underlying Index. Should the fixing occur below the Strike Price during the Exercise Period (i.e. out-the-money), the loss is then limited to the original premium paid to acquire the options. The Employer Warrant Holder may also benefit (suffer) from a positive (negative) evolution of the price of the Employer Warrant during its lifetime.

The Employer Warrant has a leverage effect. This means that any variation in the price of the Underlying Index is in theory amplified.

An Employer Warrant's leverage effect is determined by applying the following formula:

$$(\text{Leverage} = \partial P / \partial S \times S / P)$$

where:

S = the value of the Underlying Index

P = the value of the Employer Warrant

The ratio $\partial P / \partial S$, which is called the Delta of the Employer Warrant, is the degree to which the Employer Warrant changes value divided by the degree to which the Underlying Index changes value. $\partial P / \partial S$ is not a constant, and the ratio changes throughout the term of the Employer Warrant.

As and when the leverage effect approaches 1, an Employer Warrant behaves more and more like the Underlying Index, and the risk associated with the Employer Warrant is therefore almost the same as the risk associated with retaining that Underlying Index. The above formula reveals that the leverage tends towards 1 if the Delta of the Employer Warrant, $\partial P / \partial S$, and S/P tend towards 1. Both ratios move towards 1 as and when, among other things, the Employer Warrant's term gets longer and therefore the Employer Warrant's initial time value rises.

The Employer Warrants issued by Belfius Bank have a long term. The unavoidable consequence of this is that the initial leverage effect of the Employer Warrant is significantly higher than 1. That also remains so for a large part of the lifetime of the Employer Warrant.

In addition, more than one Employer Warrant may be necessary to obtain the closing value of the Underlying Index at the payment of the Strike Price. The number of Employer Warrants necessary to obtain the closing value of the Underlying Index at the payment of the Strike Price will be specified as such in the applicable Final Terms (the Parity).

7.6.3. Costs in connection with the purchase, exercise and/or sale of the Employer Warrants

Purchase

Subscribers to Employer Warrants shall pay the Issue Price as specified in the relevant Final Terms. The Issue Price is paid by the holder.

There are no additional costs of subscription with regards to the acquisition of the **Employer Warrants**, except for applicable subscription fees in the Underlying Index as may exist at such time and applicable taxes are due.

Exercise

In respect of the exercise of an Employer Warrant during the Exercise Period, the Employer Warrant Holder has to pay the Strike Price specified in the relevant Final Terms. The Strike Price is equal to a percentage of the net asset value of the Underlying Index, which will be posted on www.belfius.be denominated in EUR, specified as such in the relevant Final Terms. In addition, the Employer Warrant Holder shall pay the applicable subscription fees in the Underlying Index, as may exist at such time.

Employer Warrants are cash settled in accordance with Condition 7.5.2.

Sale

A holder of an Employer Warrant may sell Employer Warrants to the Issuer on the secondary market. In such case the selling price of an Employer Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in Condition 7.6.1 above. There are no additional costs related to such a sale. In addition, the holder of an Employer Warrant shall pay the applicable taxes related to such a sale, as specified in Condition 7.15 below.

7.7. Cancellation

The early termination features of the Employer Warrants specified below are only possible upon (i) events of force majeure or other events which significantly modify the economy of the Employer Warrant and for which the Issuer is not responsible (ii), except in the case of force majeure, the Issuer is required to indemnify the Employer Warrant Holder for the loss suffered by the Employer Warrant Holder because of the early termination; (iii) the condition that no costs are charged to the Employer Warrant Holder and (iv) a pro rata refund of the commissions already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for.

7.7.1. Cancellation upon change of law or an Index Adjustment Event

The Issuer will cancel the Employer Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus, the Employer Warrants and/or the relevant Final Terms or upon the occurrence of an Index Adjustment Event and the Calculation Agent is unable to substitute the Underlying Index or calculate the Underlying Index in accordance with Condition 7.10 below. The principles enumerated in the preamble to this Condition 7.7 shall apply.

7.7.2. Discharge upon cancellation

Any Employer Warrants so cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer in respect of any such Employer Warrants shall be *de iure* fully discharged upon payment of the Early Termination Amount and of the loss (*i.e.* costs incurred by the Employer Warrant Holder that are not covered by the Early Termination Amount) incurred by the Employer Warrant Holders. The principles enumerated in the preamble to this Condition 7.7 shall apply.

7.8. Payment

Subscribers to Employer Warrants shall pay the Issue Price on the subscribed Employer Warrants in cash.

Any amounts payable by the Issuer in respect of the Employer Warrants, shall be made by transfer to the cash account indicated by the Employer Warrant Holders, subject to all applicable laws and regulations.

If the date for payment due to the Employer Warrant Holders is a day, which is not a business day in the place of payment, the Employer Warrant Holders shall not be entitled to payment until the next business day, unless otherwise specified in the relevant Final Terms.

7.9. Description of market disruption event or settlement disruption that affects the Underlying Index

If any Valuation Date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Underlying Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Underlying Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Underlying Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day). The principles enumerated in the first paragraph of Condition 7.10 shall apply.

7.10. Adjustments to the Underlying Index

The adjustments features of the Employer Warrants specified below are only possible, for essential features of the product, if such modification would allow the rights and obligations under the Employer Warrants to be exercised and performed by the Employer Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met: (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible; (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Employer Warrant Holders. The Issuer must take all measures and make every effort to continue the product under similar circumstances; (iii) no costs are charged to the Employer Warrant Holders, and (iv) the contract term must be drawn up in a plain and intelligible manner.

If the Underlying Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Underlying Index, then that index (the “**Successor Index**”) will be deemed to be the Underlying Index (an “**Index Replacement**”).

If on or prior to any Valuation Date in respect of the Underlying Index, the Index Sponsor announces that it will:

- (i) make a material change in the formula for or the method of calculating the Underlying Index or in any other way materially modifies the Underlying Index (other than a modification prescribed in that formula or method to maintain the Underlying Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”);
- (ii) permanently cancel the Underlying Index and no Successor Index exists (an “**Index Cancellation**”), or
- (iii) fails to calculate or announce the Underlying Index (“**Index Disruption**”),

(each an “**Index Adjustment Event**”) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Employer Warrants and if so,

- (a) substitute the Underlying Index with a replacement index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of the Underlying Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution;
- (b) if the Calculation Agent is unable to substitute the Underlying Index in accordance with paragraph (a) above, calculate the level of the Underlying Index using, in lieu of a published level for the Underlying Index, the level for the Underlying Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating the Underlying Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

If the Calculation Agent is unable to either select a substitute index in accordance with paragraph (a) above or calculate the level of the Underlying Index in accordance with paragraph (b) above or determine the adjustments, if any to be made to these Conditions and/or the applicable Final Terms to account for such substitution, or is able to do so but determines, in its discretion, (i) that such substitution or adjustment would not achieve a commercially reasonable result for either the Issuer or the holders of the Employer Warrants or (ii) is or would be unlawful at any time under any applicable law or regulation or would contravene any applicable licensing requirements for the Issuer, the Calculation Agent or any other entity to perform the calculations required in respect of the Employer Warrants (or it would be unlawful or would contravene those licensing requirements were a calculation to be made at such time), then the Issuer may give notice to the holders of the Employer Warrants in accordance with Condition 7.14 (*Notices*) and cancel in accordance with Condition 7.7 (*Cancellation*) all, but not some only, of the Employer Warrants. If the Issuer cancels the Employer Warrants, then the Issuer will pay the Early Termination Amount to each holder of an Employer Warrant in respect of each Employer Warrant.

The Issuer shall not have any duty to monitor, enquire or satisfy itself as to whether any Index Adjustment Event has occurred. If the holders of the Employer Warrants provide the Issuer with details of the circumstances which could constitute an Index Adjustment Event, the Issuer will consider such notice, but will not be obliged to determine that an Index Adjustment Event has occurred solely as a result of receipt of such notice.

7.11. Rounding

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes “unit” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

7.12. Status of Employer Warrants

The Employer Warrants and the payments relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. This category can be seen as the “ordinary creditors” and may be qualified as “Preferred Senior creditors”, being the creditors related under Article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under Article 389/1, 2° of the banking law.

7.13. Responsibility of the Calculation Agent

In relation to each issue of Employer Warrants, the Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Employer Warrant Holders. All calculations and determinations made in respect of the Employer Warrants by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Employer Warrant Holder. The foregoing, does not prejudice nor limit any remedy the Employer Warrant Holder may have under applicable law against the Issuer regarding acts or omissions of the Calculation Agent.

7.14. Notices

All notices from the Issuer, the Calculation Agent or the Depositary to the Employer Warrant Holders shall be validly given by a direct notification on an electronic platform managed by Belfius Bank and accessible by every Employer Warrant Holder, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Employer Warrant Holders. The Employer Warrant Holder will be notified of his or her existing position at least once a year.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from Belfius Bank.

7.15. Taxation

BELGIAN TAXATION ON THE EMPLOYER WARRANTS

The following is a general description of the principal Belgian tax consequences for investors receiving, holding or disposing of, the Employer Warrants issued by Belfius Bank and is of a general nature based on the Issuer’s understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Employer Warrants issued by Belfius Bank under the laws of their countries of citizenship, residence, ordinary residence or domicile for reasons that, among others, the tax legislation of the investor’s Member State and of the Issuer’s country of incorporation may have an impact on the income received from the Employer Warrants.

7.15.1. Belgian income tax

7.15.1.1. Belgian resident companies

If the company (subject to the ordinary Belgian Corporate Income Tax regime) would realise a capital gain on the Employer Warrants, that capital gain would be fully subject to corporate tax. A capital loss recorded or realised on the Employer Warrants would be tax deductible.

The Cash Settlement Amount received upon exercise of the Employer Warrants is fully taxable.

7.15.1.2. Belgian non-residents

Employer Warrant Holders who are not resident of Belgium for Belgian tax purposes, who have acquired the Employer Warrants otherwise than as a benefit in kind and who are not holding the Employer Warrants through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition, holding or disposal of the Employer Warrants.

7.15.2. Other taxes

Tax on stock exchange transactions

The acquisition of Warrants upon their issuance (primary market) is not subject to the tax on stock exchange transactions (“*taxe sur les opérations de bourse*”/“*beurstaks*”).

In all other situations, a tax on stock exchange transactions (“*taxe sur les opérations de bourse*”/“*beurstaks*”) will be levied on the purchase and sale in Belgium of the Employer Warrants on a secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.35% with a maximum amount of EUR 1,600 per transaction and per party and collected by the professional intermediary. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

Following the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a “**Belgian Investor**”). In such a scenario, the tax on the stock exchange transactions is due by the Belgian Investor. The Belgian Investor must file a tax return and pay the tax due within two months after the transaction unless the foreign professional intermediary reported and paid the tax itself. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying agent day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below) and for complying with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

The tax referred to above will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes (“*Code des droits et taxes divers*”/“*wetboek diverse rechten en taksen*”) for the tax on stock exchange transactions.

Financial Transaction Tax

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “Draft Directive”) on a common financial transaction tax (“FTT”). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in ten EU Member States (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovak Republic, Slovenia and Spain; the “Participating Member States”). In March 2016, Estonia, initially one of the Participating Member States, withdrew from the FTT project.

The Commission’s Proposal currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force.

The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in Employer Warrants (including secondary market transactions) in certain circumstances. The issuance and subscription of Employer Warrants should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. According to the Draft Directive, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives they shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer or the market price (whichever is higher). The FTT shall be payable by each financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, which is acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to the relevant financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

The FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw.

Prospective holders of the Employer Warrants should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Employer Warrants.

Tax on Securities Accounts

The Law of 17 February 2021 introducing an annual tax on securities accounts has been published in the Belgian Official Gazette on February 25, 2021. The law introduces an indirect tax on securities accounts (the **Tax on Securities Accounts**) which applies to securities accounts held by resident individuals, companies and legal entities, irrespective as to whether these accounts are held, with a financial intermediary which is established or located in Belgium or abroad. The tax also applies to securities accounts held by non-resident individuals, companies and legal entities with a financial intermediary established or located in Belgium, and to non-residents which hold one or more securities accounts through a Belgian establishment.

Belgian resident and non-resident individuals, companies and legal entities will be taxed at a rate of 0.15 per cent. on the average value of qualifying financial instruments held on one or more securities accounts during a reference period of twelve consecutive months (in principle) starting on 1 October and ending on 30 September of the subsequent year. No Tax on Securities Accounts will be due provided that the average value of the qualifying financial instruments on the account amounts to less than EUR 1,000,000 during the specific reference period. If, however, the average value of the qualifying financial instruments on the account amounts to EUR 1,000,000 or more, the Tax on Securities Accounts will be due on the entire average value of the qualifying financial instruments on the account during the specific reference period (and, hence, not only on the part which exceeds the EUR 1,000,000 threshold). However, the amount of the Tax on Securities Accounts is limited to 10 per cent. of the difference between the average value of the qualifying financial instruments on the account and EUR 1,000,000.

The financial instruments envisaged include not only cash, shares, bonds and notes, but also derivatives (e.g., options, futures, warrants, etc.). Each securities account is assessed separately. When multiple holders hold a securities account, each holder shall be jointly and severally liable for the payment of the tax and each holder may fulfill the declaration requirements for all holders.

A financial intermediary is defined as (i) the National Bank of Belgium, the European Central Bank and foreign central banks performing similar functions, (ii) a central securities depository included in Article 198/1, §6, 12° of the BITC, (iii) a credit institution or a stockbroking firm as defined by Article 1, §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms and (vi) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The law on the Tax on Securities Accounts entered into force on February 26, 2021. The first reference period will start on the day of the entry into force and will end on 30 September 2021. The law also provides for certain anti-abuse provisions, retroactively applying as from 30 October 2020: a rebuttable general anti-abuse provision and two irrebuttable specific anti-abuse provisions. The latter covers the splitting of a securities account into multiple securities accounts held with the same intermediary and the conversion of taxable financial instruments held on a securities account into registered financial instruments.

Currently multiple annulment appeals on the law introducing the Tax on Securities Accounts are pending before the Constitutional Court. Depending on the decisions of the Constitutional Court about these claims, some provisions of the Law introducing the tax on securities accounts may be subject to change when annulled. It is currently uncertain when the Constitutional Court issue a ruling in this respect.

There are various exemptions, such as securities accounts held by specific types of regulated entities for their own account. For example, excluded from the scope of application are the securities accounts held directly or indirectly, and exclusively for their own account, by non-residents, who do not use these securities accounts within a Belgian establishment, at a central securities depository or at a depository bank authorized by the National Bank of Belgium.

Prospective investors are strongly advised to follow up and to seek their own professional advice in relation to this new annual Tax on Securities Accounts and the possible impact thereof on their own personal tax position.

8. TERMS AND CONDITIONS OF THE EMPLOYEE WARRANTS

(Annex 14.4 of Commission delegated regulation (EU) 2019/980)

The following is the text of the terms and conditions of the Employee Warrants (the “**Terms and Conditions of the Employee Warrants**” and together with the Terms and Conditions of the Employer Warrants, the “**Terms and Conditions**”, each chapter or subchapter individually referred to as “**Condition**”), subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Employee Warrants are to the Employee Warrants of one Series only, not to all Employee Warrants that may be issued under the Programme.

The Employee Warrants will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the Strike), the Employee Warrants of each Series being intended to be interchangeable with all other Employee Warrants of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price and principal amount of the Tranche will be identical to the terms of other Tranches of the same Series) will be set out in the Final Terms.

In accordance with Articles I.8.22° and VI.82 to VI.84 of the CEL, the Issuer may not make a unilateral modification of a product if it concerns an essential feature of the product, unless to make modifications to the Employee Warrants that would allow the rights and obligations under the Employee Warrants to be exercised and performed by the Employee Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met:

- (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible;
- (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Employee Warrant Holders. The Issuer must take all measures and make every effort to continue the product under similar circumstances;
- (iii) no costs are charged to the Employee Warrant Holders; and
- (iv) the contract term must be drawn up in a plain and intelligible manner.

To the extent applicable, the Issuer and the Calculation Agent undertakes to comply with Book VI of the Belgian Code of Economic Law (Code de droit économique / Wetboek van economisch recht) ("CEL") in respect of Employee Warrants issued under the Programme and placed in the framework of an offer of securities to the public in Belgium. For this purpose, an offer of securities to the public has the meaning set forth in Article 2(d) of the Prospectus Regulation.

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a unilateral right to modify certain features of the Employee Warrants are:

- (a) Condition 8.7.1. Cancellation upon change of law
- (b) Condition 8.7.2. Cancellation option upon change of Investment Strategy
- (c) Condition 8.9. Description of market disruption event or settlement disruption that affects the Underlying Fund Shares

- (d) Condition 8.10.1. Adjustments in case of the occurrence of a Potential Adjustment Event
- (e) Condition 8.10.2. Adjustments in case of the occurrence of a change in Investment Strategy, De-listing, Insolvency, Merger Event or Nationalization

When the early termination features of the Employee Warrants provided by this Chapter 7 occur, the Issuer shall pay in accordance with the indemnification-principle laid down in Article VI.83. 10° CEL, at least the Fair Market Value of the Employee Warrant.

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a right to terminate and cancel the Employee Warrants under certain circumstances are:

- (a) Condition 8.7.1. Cancellation upon change of law
- (b) Condition 8.7.2. Cancellation option upon change of Investment Strategy
- (c) Condition 8.10.2. Adjustments in case of the occurrence of a change in Investment Strategy, De-listing, Insolvency, Merger Event or Nationalization

8.1. Form, Issue Price and Title

8.1.1. Form

An Employee Warrant constitutes a contractual claim (*schuldvordering/créance*) against the Issuer, subject to these Conditions, subject to completion and as supplemented in accordance with the provisions of the applicable Final Terms.

The Employee Warrants will not be physically delivered and cannot be transferred to another Depository.

The Employee Warrants will be held on a global securities account with Belfius Bank, and only respectively assigned to the relevant holder via an electronic platform managed by Belfius Bank and accessible by every holder of Employee Warrants. Belfius Bank will not charge any fees for Employee Warrants held in the aforementioned global securities account.

The issue of the Employee Warrants has been authorized by resolutions of the Issuer, as will be specified in the relevant Final Terms.

8.1.2. Title and Transfer

The person who from time to time shows in the records of the Depository as the holder of an Employee Warrant will be considered as the “holder” of that Employee Warrant for all purposes. A certificate issued by the Depository as to the amount of Employee Warrants standing to the credit of any person shall be conclusive and binding for all purposes save in case of manifest error.

Title to the Employee Warrants will pass by account transfer within the accounts system of the Depository, in accordance with the applicable terms and conditions of the Depository.

All transactions (including permitted transfers) in relation to the Employee Warrants must be effected through the Depository, subject to and in accordance with the applicable rules and procedures of the Depository.

Once an Employee Warrant has been exercised (as referred to in Condition 8.5 (*Exercise Procedure*) below), it can no longer be transferred to another person.

Employee Warrants may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

8.2. Governing law and jurisdiction

The Employee Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Employee Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels.

8.3. Currency

The Employee Warrants are issued in EUR and their value will always be expressed in EUR.

8.4. Definitions

The terms used in this Base Prospectus shall have the meaning as expressed hereunder, unless defined otherwise in this Base Prospectus. The definitions do not apply to terms used in the extracts and press releases that, as the case may be, are mentioned in this Base Prospectus.

Actual Exercise Date	: Means, in respect of any Employee Warrant, the date on which a duly completed Exercise Notice is delivered (or deemed to be delivered pursuant to Condition 8.5.1) in accordance with Condition 8.5.1 (<i>Exercise Notice</i>).
Business Day	A day on which commercial banks and foreign exchange markets settle payments and are open for general business in Belgium.
Calculation Agent	: Belfius Bank NV/SA (abbreviated as “ Belfius Bank ”), unless specified otherwise in the relevant Final Terms.
Commission	: The commission included in the Issue Price, as specified under the relevant Final Terms.
Companies and Associations Code	: The Belgian companies code, introduced by the Law of 7 May 1999 (as amended) or, to the extent applicable, the Belgian code of companies and associations, introduced by the Law of 23 March 2019 (as amended).
De-listing	: The Underlying Fund Shares cease to be listed on the Related Exchange for any reason.
Depositary:	: Belfius Bank SA/NV.
Disrupted Day	: Any scheduled trading day on which a relevant Exchange or the Related Exchange fails to open for trading during its regular trading session; or on which a Market Disruption Event occurs.
Early Closure	: The closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day.
Early Termination Amount	: Means, with regards to Employee Warrants that, if the Employee Warrants are cancelled, the Issuer will pay an amount to each holder of an Employee Warrant in respect of each Employee Warrant held by such Employee Warrant Holder which amount shall be the Fair Market Value of an Employee Warrant. The Issuer will also take into account the Merger Event, De-listing, Nationalization or Insolvency, the value of the Underlying Fund Shares, the volatility of the Underlying Fund Shares, the time remaining to the Maturity Date, the characteristics of the Underlying Fund Shares, the dividends of the Underlying Fund Shares, any changes of interest rates, any change in currency exchange rates, the

liquidity of the Underlying Fund Shares as the case may be and as applicable.

- Exchange** : Means, with regards to Employee Warrants, each exchange or quotation system, any successor or any substitute exchange or quotation system, including for the avoidance of doubt but without limitation, any regulated market.
- Exchange Business Day** : Any Scheduled Trading Day on which, with regards to the Underlying Fund Shares, the Exchange is open for business.
- Exchange Disruption** : Any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for Shares on the Exchange; or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- Exercise Notice** : Has the meaning given to such term in Condition 8.5 (*Exercise Procedure*).
- Exercise Period** : Each Business Day from (and including) the date as specified in the relevant Final Terms until (but excluding) the Maturity Date.
- Fair Market Value** : The valuation determined by the Calculation Agent using (i) the most relevant available market data, or, (ii) if no such relevant data may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The value of the Employee Warrants is determined, as with options, by valuation models for options (for example, the ‘Black & Scholes’ model, trinomial model,...). Reference is made to the valuation principles laid down in Condition 8.6.1 below.
- Final Terms** : The document containing the specific final terms relating to a specific series of the Employee Warrants.
- IFRS** : International Financial Reporting Standards.
- Insolvency** : Means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the SICAV (i) all the Shares are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares become legally prohibited from transferring them.
- In-the-money** : A call option with a Strike Price that is below the market price of the Underlying Fund Shares.
- Issue Date** : The issue date specified as such in the relevant Final Terms.
- Issue Price** : The issue price specified as such in the relevant Final Terms.
- Issuer** : Belfius Bank SA/NV.

Market Disruption Event	: In respect of any Share, the occurrence or existence of: <ul style="list-style-type: none"> (i) a Trading Disruption in respect of the Share; (ii) any Exchange Disruption in respect of the Share which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Scheduled Closing Time; or (iii) an Early Closure in respect of the Share.
Maturity Date	: The maturity date specified as such in the relevant Final Terms.
Merger Date	: Means, in respect of a Merger Event, the date upon which all holders of Shares (other than, in the case of a takeover offer, Shares owned or controlled by the offeror) have agreed or have irrevocably become obliged to transfer their Shares.
Merger Event	: Means any (i) reclassification or change of Shares that results in a transfer of or an irrevocable commitment to transfer all Shares outstanding, (ii) consolidation, amalgamation or merger of the SICAV with or into another entity (other than a consolidation, amalgamation or merger in which the SICAV is the continuing entity and which does not result in any such reclassification or change of all Shares outstanding) or (iii) other takeover offer for Shares that results in a transfer of or an irrevocable commitment to transfer all Shares (other than Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the Valuation Date in respect of the relevant Employee Warrant.
Nationalization	: Means that all the shares or all the assets or substantially all the assets of the SICAV are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.
Offer	: Any offer on the basis of and, in accordance with, this Base Prospectus and the relevant Final Terms.
Offering Period	: The offering period specified as such in the relevant Final Terms.
Parity	: The parity specified as such in the relevant Final Terms.
Potential Adjustment Event	: Means any of the following: <ul style="list-style-type: none"> (i) a subdivision, consolidation or reclassification of Shares (unless a Merger Event) or a free distribution or dividend of Shares to existing holders by way of bonus, capitalization or similar issue; (ii) a distribution or dividend to existing holders of Shares of (a) Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the SICAV equally or proportionately with such payments to holders of Shares or (c) any other type of securities, rights or price as determined by the Calculation Agent; (iii) an extraordinary dividend (provided that any ordinary dividend, whether or not in the form of cash, will not be considered as a Potential Adjustment Event);

(iv) a repurchase by the SICAV of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(v) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the Shares.;

- Underlying Fund Shares** : Class C shares of the compartment Belfius Equities Europe Conviction within Belfius Equities sicav, a UCITS duly registered under the laws of Belgium under the Crossroad Bank for enterprises' number 0444.229.910 (Code ISIN/Code Trading: BE0945524651; Code Bloomberg: DEXBEUR BB)
- Related Exchange** : Means, with regards to Employee Warrants and the Underlying Fund Shares, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Employee Warrant.
- Scheduled Closing Time** : Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
- Scheduled Trading Day** : In relation to the Underlying Fund Shares, any day on which the Related Exchange is scheduled to be open for trading for its regular trading session.
- Strike Price** : The Strike Price of Employee Warrants is equal to the net asset value of the Underlying Fund Shares, specified as such in the relevant Final Terms.
- Trading Disruption** : Any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise, with regards to Employee Warrants, relating to the Underlying Fund Share on the relevant Exchange, or in futures or options contracts relating to the Underlying Fund Share on any relevant Related Exchange.
- Valuation Date** : Means, in respect of any exercised Employee Warrant, the Maturity Date in respect of such Employee Warrant.
- Employee Warrant Holder** : A person holding Employee Warrants through a participant or, in the case a participant acts on its own account, that participant.

8.5. Exercise Procedure

8.5.1. Exercise Notice

The day on which the Employee Warrants are exercised is called the Actual Exercise Date and falls within the Exercise Period. In order to exercise the Employee Warrants the holder of the Employee Warrant shall, at the earliest at the start of the Exercise Period and at the latest on the day before the Maturity Date, notify its decision

to the Issuer exclusively via an electronic platform managed by Belfius Bank and accessible by every holder of the Employee Warrant (an “**Exercise Notice**”).

There are no costs related to the Exercise other than the ordinary charges related to the acquisition of the Underlying Fund Shares, as may exist at such time. As of the date of this Base Prospectus, such costs do not exceed 2.5% of the amount so acquired, with a minimum of 100 EUR per transaction.

If not exercised in accordance with the Terms and Conditions during the Exercise Period, an Employee Warrant will become void and expire worthless.

Besides the Exercise, a holder of the Employee Warrant may also sell Employee Warrants to the Issuer on the secondary market. In such case the selling price of an Employee Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in Condition 8.6.1 below. There are no additional costs related to such sale.

8.5.2. Settlement

Belfius Bank will deliver the Underlying Fund Shares to a securities account chosen by the holder of the Employee Warrant or which must be opened by the investor for this purpose. In case the amount of Employee Warrants exercised is inferior to the parity, Belfius Bank will proceed to a settlement in cash by transfer to the cash account indicated by the holder of the Employee Warrant.

8.5.3. Consequence of the Exercise

The Exercise is irrevocable.

8.5.4. Exercise period

The Exercise Period is defined in the relevant Final Terms.

8.6. Further information relating to the Employee Warrants

8.6.1. Information relating to the pricing of the Employee Warrants

The value of the Employee Warrants is determined, as with options, by valuation models for options (for example, the ‘Black & Scholes’ model, trinomial model,...). This value is determined by different variables. The impact of some of these variables can be described as follows:

- The Underlying Fund Shares: The value of an Employee Warrant increases if the value of the Underlying Fund Shares increases in respect to the Strike Price.
- The volatility: the value of the Employee Warrant varies according to the expected volatility of the Underlying Fund Shares until Maturity Date. The volatility is the change in the value of the Underlying Fund Shares calculated over a fixed time interval. The probability of an Employee Warrant being more in-the-money is higher if the Underlying Fund Shares are highly volatile (i.e. if it has a large number of substantial price movements), than when the Underlying Fund Shares are little volatile. Accordingly, the value of an Employee Warrant will increase if the volatility of the Underlying Fund Shares increases.
- The remaining maturity: the longer the remaining maturity (until Maturity Date) of an Employee Warrant, the greater the probability of the Employee Warrant being in-the-money at a certain point in time during this remaining maturity. Therefore under normal circumstances, the value of the Employee Warrant with a longer remaining maturity will be greater than the value of an Employee Warrant with a shorter remaining maturity. In short, the value of the Employee Warrant decreases if the remaining maturity diminishes.
- The market interest rate for the remaining maturity: the value of the Employee Warrant increases if the market interest rate until Maturity Date increases.

Investors may find information about the historical returns of the Underlying Index on the website <https://www.msci.com/real-time-index-data-search> and about the historical returns of the Underlying Fund Shares on the website of the Luxembourg Stock Exchange (<https://www.bourse.lu/security/LU0461106337/249540>) or, if such information cannot be consulted on the website, through a written request at the corporate seat of the Issuer. More information about the Underlying Fund Shares can be found in the key investor information document on the website https://www.belfius.be/imagingservlet/GetDocument?src=mifid&id=BE0945524651KIID_NL.

Investors should take into consideration that all variables mentioned above may each influence the value of the Employee Warrant independently. In practice, any of these variables can vary at the same time. Consequently, the change in the value of the Employee Warrant can only be determined by taking into consideration the combined effect of the changes in value of each of these variables separately.

8.6.2. Information relating to the behaviour of the Employee Warrants

Generally, the (non-)occurrence of anticipated fluctuations in the value of the Underlying Fund Shares may disproportionately affect the value of Employee Warrants. Employee Warrants may expire worthless if the Underlying Fund Shares do not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, an Employee Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, an Employee Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Fund Shares. Employee Warrant Holders should also consider that the return on the investment in Employee Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Employee Warrants. A general description of these costs is provided in Condition 8.6.3 below.

More in particular, investing in an Employee Warrant allows the Employee Warrant Holder to exercise its option(s) in case the Underlying Fund Shares price fixes above the Strike Price during the Exercise Period (i.e. in-the-money). The Employee Warrant Holder benefits in this case of the increase of the value of the Underlying Fund Shares. Should the fixing occur below the Strike Price during the Exercise Period (i.e. out-the-money), the loss is then limited to the original premium paid to acquire the options. The Employee Warrant Holder may also benefit (suffer) from a positive (negative) evolution of the price of the Employee Warrant during its lifetime.

The Employee Warrant has a leverage effect. This means that any variation in the price of the Underlying Fund Shares is in theory amplified.

An Employee Warrant's leverage effect is determined by applying the following formula:

$$(\text{Leverage} = \partial P / \partial S \times S / P)$$

where:

S = the price of the Underlying Fund Shares

P = the value of the Employee Warrant

The ratio $\partial P / \partial S$, which is called the Delta of the Employee Warrant, is the degree to which the Employee Warrant changes value divided by the degree to which the Underlying Fund Shares changes value. $\partial P / \partial S$ is not a constant, and the ratio changes throughout the term of the Employee Warrant.

As and when the leverage effect approaches 1, an Employee Warrant behaves more and more like the Underlying Fund Shares, and the risk associated with the Employee Warrant is therefore almost the same as the risk associated with retaining the Underlying Fund Shares. The above formula reveals that the leverage tends towards 1 if the Delta of the Employee Warrant, $\partial P / \partial S$, and S/P tend towards 1. Both ratios move towards 1 as and when, among other things, the Employee Warrant's term gets longer and therefore the Employee Warrant's initial time value rises.

The Employee Warrants issued by Belfius Bank have a long term. The unavoidable consequence of this is that the initial leverage effect of the Employee Warrant is significantly higher than 1. That also remains so for a large part of the lifetime of the Employee Warrant.

In addition, more than one Employee Warrant may be necessary to obtain the closing value of the Underlying Fund Shares at the payment of the Strike Price. The number of Employee Warrants necessary to buy Underlying Fund Shares at the payment of the Strike Price will be specified as such in the applicable Final Terms (the Parity).

8.6.3. Costs in connection with the purchase, exercise and/or sale of the Employee Warrants

Purchase

Subscribers to Employee Warrants shall pay the Issue Price as specified in the relevant Final Terms. The Issue Price is paid by the employer of the employee who has accepted the offer, with respect to Employee Warrants.

With regards to Employee Warrants, the costs and taxes associated with the acquisition of Underlying Fund Shares at the date of this Base Prospectus are set at a maximum of 2,5%.

Exercise

In respect of the exercise of an Employee Warrant during the Exercise Period, the Employee Warrant Holder has to pay the Strike Price specified in the relevant Final Terms. The Strike Price is equal to the net asset value of the Underlying Fund Shares, specified as such in the relevant Final Terms.

By exercising Employee Warrants, the holder of Employee Warrants purchases the Underlying Fund Shares at the Strike Price for an amount of Employee Warrants corresponding to the Parity as specified in the relevant Final Terms.

Sale

A holder of an Employee Warrant may also sell such Employee Warrants to the Issuer during the entire term of the Employee Warrants irrespective of the applicable Exercise Period. In such case the selling price of an Employee Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in Condition 8.6.1 above. There are no additional costs related to such a sale. In addition, the holder of an Employee Warrant shall pay the applicable taxes related to such a sale, as specified in Condition 8.15 below.

8.7. Cancellation

The early termination features of the Employee Warrants specified below are only possible upon (i) events of force majeure or other events which significantly modify the economy of the Employee Warrant and for which the Issuer is not responsible (ii), except in the case of force majeure, the Issuer is required to indemnify the Employee Warrant Holder for the loss suffered by the Employee Warrant Holder because of the early termination; (iii) the condition that no costs are charged to the Employee Warrant Holder and (iv) a pro rata refund of the commissions already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for.

8.7.1. Cancellation upon change of law

The Issuer will cancel the Employee Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus and/or the relevant Final Terms in accordance with Condition 8.10 below. The principles enumerated in the preamble to this Condition 8.7 shall apply.

8.7.2. Cancellation option upon change of Investment Strategy

Upon the occurrence of a change of investment strategy enacted by the management bodies of the Underlying Fund Shares (the “**Investment Strategy**”), the Issuer may cancel **Employee Warrants** in accordance with Condition 8.10 below. The principles enumerated in the preamble to this Condition 8.7 shall apply.

8.7.3. Discharge upon cancellation

Any Employee Warrants so cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer in respect of any such Employee Warrants shall be *de iure* fully discharged upon payment of the Early Termination Amount and of the loss (*i.e.* costs incurred by the Employee Warrant Holder that are not

covered by the Early Termination Amount) incurred by the Employee Warrant Holders. The principles enumerated in the preamble to this Condition 8.7 shall apply.

8.8. Payment

Subscribers to Employee Warrants shall pay the Issue Price on the subscribed Employee Warrants in cash.

Any amounts payable by the Issuer in respect of the Employee Warrants, shall be made by transfer to the cash account indicated by the Employee Warrant Holders, subject to all applicable laws and regulations.

If the date for payment due to the Employee Warrant Holders is a day, which is not a business day in the place of payment, the Employee Warrant Holders shall not be entitled to payment until the next business day, unless otherwise specified in the relevant Final Terms.

8.9. Description of market disruption event or settlement disruption that affects the Underlying Fund Shares

If any Valuation Date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Scheduled Closing Time on that eighth Scheduled Trading Day. For the avoidance of doubt, the Valuation Date for the Share not affected by the occurrence of a Disrupted Day shall be the original Valuation Date. The principles enumerated in Condition 8.10 shall apply.

8.10. Adjustments to the Underlying Fund Shares

The adjustments features of the Employee Warrants specified below are only possible, for essential features of the product, if such modification would allow the rights and obligations under the Employee Warrants to be exercised and performed by the Employee Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met: (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible; (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Employee Warrant Holders. The Issuer must take all measures and make every effort to continue the product under similar circumstances; (iii) no costs are charged to the Employee Warrant Holders, and (iv) the contract term must be drawn up in a plain and intelligible manner.

8.10.1. Adjustments in case of the occurrence of a Potential Adjustment Event

Following the declaration by the SICAV of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Strike Price and/or any of the other terms of these terms and conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting or concentrative effect and (ii) determine the effective date of that adjustment (provided that no adjustment will be made as a result of any payment of an ordinary dividend, whether or not in the form of cash). The principles enumerated in the preamble to this Condition 8.10 shall apply.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the holders of the Employee Warrants, stating the adjustment to the Strike Price and/or any of the other terms of these terms and conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

8.10.2. Adjustments in case of the occurrence of a change in Investment Strategy, De-listing, Insolvency, Merger Event or Nationalization

If a change in the Investment Strategy as defined under Condition 8.7.2. (*Cancellation option upon change of investment strategy*), a De-listing, Insolvency, Merger Event or Nationalization occurs in relation to the Underlying Fund Shares, the Issuer may take the action described in (i) or (ii) below:

(i) require the Calculation Agent to determine the unilateral modification, if any, of the Terms and Conditions and/or the applicable Final Terms to account for the change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, as the case may be, and determine the effective date of that unilateral modification PROVIDED HOWEVER that in doing so the Calculation Agent may only make a unilateral modification if three cumulative conditions are met:

(x) Change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, as the case may be, significantly modifies the economy of the Employee Warrant and for which the Issuer is not responsible;

(y) the unilateral modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the holders of the Employee Warrants. The Issuer must take all measures and make every effort to continue the Employee Warrant under similar circumstances; and

(z) no costs are charged to the holders of the Employee Warrants; or

(ii) cancel the Employee Warrants by giving notice if no adjustment could be made under (i) above. If the Employee Warrants are so cancelled the Issuer will pay the Early Termination Amount. If the Early Termination Amount is zero or negative, no payment will be due. Payments will be made in such manner as shall be notified to the holders of the Employee Warrants. The principles enumerated in the preamble to this Condition 8.10 as well as in Condition 8.7 shall apply.

Upon the occurrence of a change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, the Issuer shall give notice as soon as practicable to the holders of the Employee Warrants stating the occurrence of a change in Investment Strategy, the Merger Event, De-listing, Nationalization or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

8.11. Rounding

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes “**unit**” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

8.12. Status of Employee Warrants

The Employee Warrants and the payments relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. This category can be seen as the “ordinary creditors” and may be qualified as “Preferred Senior creditors”, being the creditors related under Article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under Article 389/1, 2° of the banking law.

8.13. Responsibility of the Calculation Agent

In relation to each issue of Employee Warrants, the Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Employee Warrant Holders. All calculations and determinations made in respect of the Employee Warrants by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Employee Warrant Holder. The foregoing, does not prejudice nor limit any remedy the Employee Warrant Holder may have under applicable law against the Issuer regarding acts or omissions of the Calculation Agent.

8.14. Notices

All notices from the Issuer, the Calculation Agent or the Depositary to the Employee Warrant Holders shall be validly given by a direct notification on an electronic platform managed by Belfius Bank and accessible by every Employee Warrant Holder, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Employee Warrant Holders. The Employee Warrant Holder will be notified of his or her existing position at least once a year.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from Belfius Bank.

8.15. Taxation

BELGIAN TAXATION ON THE EMPLOYEE WARRANTS

The following is a general description of the principal Belgian tax consequences for investors receiving, holding or disposing of, the Employee Warrants issued by Belfius Bank and is of a general nature based on the Issuer's understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Employee Warrants issued by Belfius Bank under the laws of their countries of citizenship, residence, ordinary residence or domicile for reasons that, among others, the tax legislation of the investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the Employee Warrants.

For a description of the tax regime of the Shares to be received upon exercise of the Employee Warrants, we refer to the prospectus pertaining to the Shares.

8.15.1. Belgian income tax

8.15.1.1. Belgian resident individuals

Individuals who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("*Personenbelasting*" / "*Impôt des personnes physiques*") and who hold the Employee Warrants as a private investment, are subject to the following tax treatment with respect to the Employee Warrants. Other tax rules apply to Belgian resident individuals who do not hold the Employee Warrants as a private investment.

The acquisition of the Employee Warrants by an employee from its employer for no consideration constitutes a benefit in kind for the employee. Provided the employer has made a written and dated offer of the Employee Warrants to the employee and the employee has accepted this offer in writing at the latest the 60th day (in practice: the 10th day) following the day of the offer, the taxable benefit in kind is determined according to the Belgian Act of 26 March 1999. If the offer is not accepted at the latest the 60th day following the offer, the Belgian Act of 26 March 1999 will not apply. According to the Belgian Act of 26 March 1999, the taxable benefit has to be determined on the basis of the rule applicable to options quoted on a stock-exchange. Indeed, a "stock exchange" is defined, for the purposes of the Act of 26 March 1999, as "any regulated market or any other public, regularly functioning market" (Article 41, 5° of the Act of 26 March 1999). The employees who wish to sell the Employee Warrants can sell the Employee Warrants to Belfius Bank. Belfius Bank publishes, on a daily basis, a purchase price for the Employee Warrants. This purchase price is based on a generally recognised economic valuation method (such as the Black-Scholes formula). This has to be considered as a "regularly functioning market" for

the application of the Act of 26 March 1999 (as confirmed by the Belgian ruling commission in the case at hand). As a consequence, the amount of the taxable benefit is the last price published by Belfius Bank on its website on the day before the offer. (by application of Article 43 § 2 of the Act of 26 March 1999). This price will be equal to the market value of the Employee Warrants, determined on the basis of the standard procedure. The benefit in kind is taxable on the date of attribution, which is irrefutably deemed to be the 60th day following the date of the offer of the Employee Warrants. The benefit in kind is taxable as professional income, at the full personal income tax rate.

A capital gain realised upon disposal or upon exercise of the Employee Warrants, is not taxable as professional income, nor as miscellaneous income provided the capital gain results from the normal management of a private estate (Article 90, 1° and 9° Belgian Income Tax Code). A loss realised upon disposal of the Employee Warrants is not tax deductible.

The Belgian Revenue may however take the position that the Act of 26 March 1999 is not applicable, in case:

- the Employee Warrants replace a remuneration in violation of the hierarchy of sources of entitlements, as defined in Article 51 of the Act of 5 December 1968;
- the Employee Warrants replace a remuneration to which the beneficiary was entitled, and to which the beneficiary has renounced when the remuneration was already earned;
- the Employee Warrants replace a the monthly (fixed or variable) basic wage, the holiday allowance, or the year-end bonus up to the 13th month;
- the Employee Warrants are granted to a person to which the employer has notified a dismissal;
- for new labour contracts, the Employee Warrants replace a the monthly (fixed or variable) basic wage, the holiday allowance, or the year-end bonus up to the 13th month that is usually granted in the enterprise for the concerned category of employees;
- the granting of Warrants is disproportionate (due to its amount or frequency) compared to the usually attributed remuneration. The Belgian Revenue considers that the granting of Employee Warrants is disproportionate, when the amount thereof exceeds 20 % of the 12,92 times the gross monthly wage (including holiday allowance), plus the 13th month and the gross variable wage.

In these cases, the tax treatment may be different than described above.

8.15.1.2. Belgian resident companies

In case a company grants Employee Warrants as a form of remuneration (benefit in kind) to its employees, the company can in principle deduct the acquisition costs of the Employee Warrants as paid wages. The employer granting the Employee Warrants to its employees has to mention the benefit in kind resulting of the grant of the Employee Warrants, on the individual payment slips (281.10 and records 325.10), otherwise the benefit in kind could be subject to the special assessment on secret commissions in the hands of the employer (at the rate of in principle 100%). Moreover, the employer has to pay to the Revenue the professional withholding tax on the benefit in kind. If the employee does not reimburse the amount of the professional withholding tax to the employer, the professional withholding tax may have to be grossed-up.

If the company does not grant the Employee Warrants as a form of remuneration to its employee, but would sell them and realise a capital gain, that capital gain would be fully subject to corporate tax. A capital loss recorded or realised on the Employee Warrants would be in principle tax deductible.

8.16.1.3. Belgian non-residents

Employee Warrant Holders who are not resident of Belgium for Belgian tax purposes, who have acquired the Employee Warrants otherwise than as a benefit in kind and who are not holding the Employee Warrants through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition, holding or disposal of the Employee Warrants.

8.15.2. Other taxes

Tax on stock exchange transactions

The acquisition of Employee Warrants upon their issuance (primary market) is not subject to the tax on stock exchange transactions (“*taxe sur les opérations de bourse*”/“*beurstaks*”).

The sale of **Employee Warrants** to Belfius Bank is not subject to the tax on stock exchange transactions, since the repurchased Employee Warrants will be immediately cancelled by Belfius Bank as issuer.

In all other situations, a tax on stock exchange transactions (“*taxe sur les opérations de bourse*”/“*beurstaks*”) will be levied on the purchase and sale in Belgium of the Employee Warrants on a secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.35% with a maximum amount of EUR 1,600 per transaction and per party and collected by the professional intermediary. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

Following the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a “**Belgian Investor**”). In such a scenario, the tax on the stock exchange transactions is due by the Belgian Investor. The Belgian Investor must file a tax return and pay the tax due within two months after the transaction unless the foreign professional intermediary reported and paid the tax itself. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying agent day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below) and for complying with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

The tax referred to above will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes (“*Code des droits et taxes divers*”/“*wetboek diverse rechten en taksen*”) for the tax on stock exchange transactions.

Financial Transaction Tax

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “Draft Directive”) on a common financial transaction tax (“FTT”). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in ten EU Member States (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovak Republic, Slovenia and Spain; the “Participating Member States”). In March 2016, Estonia, initially one of the Participating Member States, withdrew from the FTT project.

The Commission’s Proposal currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Employee Warrants (including secondary market transactions) in certain circumstances. The issuance and subscription of Employee Warrants should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. According to the Draft Directive, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives they shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer or the market price (whichever is higher). The FTT shall be payable by each financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, which is acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to the relevant financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

The FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw.

Prospective Holders of the Employee Warrants should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Employee Warrants.

Tax on Securities Accounts

The Law of 17 February 2021 introducing an annual tax on securities accounts has been published in the Belgian Official Gazette on February 25, 2021. The law introduces an indirect tax on securities accounts (the **Tax on Securities Accounts**) which applies to securities accounts held by resident individuals, companies and legal entities, irrespective as to whether these accounts are held, with a financial intermediary which is established or located in Belgium or abroad. The tax also applies to securities accounts held by non-resident individuals, companies and legal entities with a financial intermediary established or located in Belgium, and to non-residents which hold one or more securities accounts through a Belgian establishment.

Belgian resident and non-resident individuals, companies and legal entities will be taxed at a rate of 0.15 per cent. on the average value of qualifying financial instruments held on one or more securities accounts during a reference period of twelve consecutive months (in principle) starting on 1 October and ending on 30 September of the subsequent year. No Tax on Securities Accounts will be due provided that the average value of the qualifying financial instruments on the account amounts to less than EUR 1,000,000 during the specific reference period. If, however, the average value of the qualifying financial instruments on the account amounts to EUR 1,000,000 or more, the Tax on Securities Accounts will be due on the entire average value of the qualifying financial instruments on the account during the specific reference period (and, hence, not only on the part which exceeds the EUR 1,000,000 threshold). However, the amount of the Tax on Securities Accounts is limited to 10 per cent. of the difference between the average value of the qualifying financial instruments on the account and EUR 1,000,000.

The financial instruments envisaged include not only cash, shares, bonds and notes, but also derivatives (e.g., options, futures, warrants, etc.). Each securities account is assessed separately. When multiple holders hold a securities account, each holder shall be jointly and severally liable for the payment of the tax and each holder may fulfill the declaration requirements for all holders.

A financial intermediary is defined as (i) the National Bank of Belgium, the European Central Bank and foreign central banks performing similar functions, (ii) a central securities depository included in Article 198/1, §6, 12° of the BITC, (iii) a credit institution or a stockbroking firm as defined by Article 1, §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms and (vi) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The law on the Tax on Securities Accounts entered into force on February 26, 2021. The first reference period will start on the day of the entry into force and will end on 30 September 2021. The law also provides for certain anti-abuse provisions, retroactively applying as from 30 October 2020: a rebuttable general anti-abuse provision and two irrebuttable specific anti-abuse provisions. The latter covers the splitting of a securities account into multiple securities accounts held with the same intermediary and the conversion of taxable financial instruments held on a securities account into registered financial instruments.

Currently multiple annulment appeals on the law introducing the Tax on Securities Accounts are pending before the Constitutional Court. Depending on the decisions of the Constitutional Court about these claims, some provisions of the Law introducing the tax on securities accounts may be subject to change when annulled. It is currently uncertain when the Constitutional Court issue a ruling in this respect.

There are various exemptions, such as securities accounts held by specific types of regulated entities for their own account. For example, excluded from the scope of application are the securities accounts held directly or indirectly, and exclusively for their own account, by non-residents, who do not use these securities accounts within a Belgian establishment, at a central securities depository or at a depository bank authorized by the National Bank of Belgium.

Prospective investors are strongly advised to follow up and to seek their own professional advice in relation to this new annual Tax on Securities Accounts and the possible impact thereof on their own personal tax position.

9. TERMS AND CONDITIONS OF THE OFFER

(Annex 14.5 of Commission delegated regulation (EU) 2019/980)

The Warrants will be offered for subscription as specified in the relevant Final Terms at the relevant Issue Price (Commission included). The Issuer has the right to anticipatively terminate the Offering Period if the maximum amount of the Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

The Warrants have not been offered or sold and will not be offered or sold directly or indirectly and this Base Prospectus and the relevant Final Terms has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Employer Warrants are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, in Belgium to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

The Employer Warrants are deposited in a Belfius Bank securities account in the name of the holder of an Employer Warrant and Belfius Bank will not charge any fees for this service nor for the opening of such securities account by the holder of an Employer Warrant.

The Employee Warrants are deposited in a Belfius Bank global securities account and Belfius Bank will not charge any fees for this service.

The Issuer has the right to cancel any issue of Warrants under the Programme during their Offering Period until the fifth business day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the Offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Warrants will be notified pursuant to Conditions 7.14 and 8.14 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Warrants may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

The Warrants have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Warrants are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Warrants within the U.S. or to, or for the account or benefit of, U.S. persons.

The Warrants will be offered at the relevant Issue Price (Commission included). This price comprises all costs.

The financial service will be performed by Belfius Bank.

The Offer is governed by the laws of Belgium. All disputes arising out of or in connection with the Offer shall be exclusively submitted to the jurisdiction of the competent courts in Brussels.

10. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

(Annex 14.6 of Commission delegated regulation (EU) 2019/980)

The Employee Warrants and Employer Warrants offered will not be the object of an application for admission to trading on a stock exchange or a regulated market. There are no securities issued by Belfius of the same class as the Warrants to be offered that are already admitted to trading on a stock exchange.

Belfius Bank will offer the Warrant Holders of Employee Warrants a possibility to sell the Employee Warrants from the day following the Issue Date by providing liquidity through a single bid price per trading day. These bid prices are subject to a brokerage fee (excluding stock market tax) of 1% maximum. In addition, the bid prices of the Employee Warrants are subject to the market conditions (in practice, the conditions between 4.30 p.m. and 5.30 p.m. (Brussels time) concerning, amongst other things, interest rates, the Underlying Fund Shares' value or volatility. The price of each previously executed transaction with the Employee Warrants is available the day after the transaction occurred on an electronic platform managed by Belfius Bank and accessible by every Warrant Holder of Employee Warrants.

11. USE OF PROCEEDS

(Annex 14.3 of Commission delegated regulation (EU) 2019/980)

The net proceeds of the issue of the Warrants will be used for general corporate purposes of Belfius Bank and for covering the risks resulting of the issue of the Warrants. The Warrants issue will be subject to some out-of-pocket expenses and publicity fees estimated to be around EUR 25,000.

12. THE UNDERLYING FUND SHARES OF THE EMPLOYEE WARRANTS

(Annex 17 of Commission delegated regulation (EU) 2019/980)

The below information has been sourced from the prospectus of Belfius Equities sicav, Belgium, dated August 2020 (as incorporated in Annex 2 of this Base Prospectus).

This information has been accurately reproduced in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from the aforementioned prospectus of the SICAV, no facts has been omitted which would render the reproduced information inaccurate or misleading.

12.1. Description of the Underlying Fund Shares

12.1.1. Type and class of share

The Underlying Fund Shares is a Class C share (the “**Share**” or “**Shares**”) of the compartment Belfius Equities Europe Conviction (the “**Compartment**”) within Belfius Equities sicav, a UCITS duly registered under the laws of Belgium under the Crossroad Bank for enterprises’ number 0444.229.910, with multiple compartments, incorporated for an indefinite duration (the “**SICAV**”) ISIN Code: BE0945524651; Bloomberg Code: DEXBEUR BB.

Class C is offered both to legal entities and natural persons and capitalizes its profits.

The number of shares of the SICAV that may be issued is unlimited. Every share must be fully paid-up upon subscription.

12.1.2. Governing law

The Underlying Fund Shares is governed by the laws of Belgium. The SICAV is registered with the Belgium Crossroad bank for enterprises (*Banque Carrefour des entreprises/Kruispuntbank van ondernemingen*) under the number 0444.229.910.

12.1.3. Form

All shares of the SICAV are registered shares without nominal value. Ownership of a share is only represented, and enforceable *vis-à-vis* the SICAV, by endorsement in the SICAV’s register of shares. Holders of shares in the SICAV will not receive any certificate representing their shares, except upon express request thereto.

12.1.4. Currency

The Shares are denominated in EUR.

12.1.5. Rights, limitations thereto and procedure of exercise

12.1.5.1. Dividend rights

The Shares are not vested with any dividend right, considering that the shares of Class C within the compartment Belfius Equities Europe Conviction capitalizes their profits.

The number of shares of the SICAV that may be issued is unlimited. All shares of the SICAV, including the Shares, are vested with equal rights to a share in liquidation surplus within their compartment, if any, *prorata* the amount of shares existing within the relevant compartment by date of its liquidation.

(a) Fixed date(s) on which the entitlement arises: not applicable.

(b) Time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates: not applicable.

(c) Dividend restrictions and procedures for non-resident holders: not applicable.

(d) Rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments: not applicable.

12.1.5.2. Voting rights

All shares of the SICAV are vested with an equal voting right, each share representing one vote. The annual general shareholders' meeting of the SICAV is held each year on the last Thursday of September at 11:00 a.m. at the registered seat of the SICAV, or at any other date and place as notified beforehand by the SICAV to the holders of shares.

12.1.5.3. Pre-emption rights in offers for subscription of securities of the same class

No shares of the SICAV are vested with any pre-emption- or preference rights.

12.1.5.4. Right to share in the issuer's profits

All shares of the SICAV are vested with an equal right to a share in the profit.

12.1.5.5. Rights to share in any surplus in the event of liquidation

All shares of the SICAV, including the Shares, are vested with an equal right to a share in liquidation surplus, if any, *pro rata* the amount of shares issued by the SICAV by date of the liquidation.

12.1.5.6. Redemption provisions

Every holder of shares in the SICAV is entitled to have his shares redeemed by the SICAV at any time, in accordance with the notification procedure to the depositary bank described in the prospectus of the SICAV.

Redemption price will be lower or higher than the subscription price, depending on the evolution of the net inventory value of the SICAV between the subscription- and redemption dates.

12.1.5.7. Conversion provisions

Every holder of shares in the SICAV may request conversion of part of or all of the shares he holds in a compartment of the SICAV into shares of another compartment of the SICAV. Such a conversion of shares in, or into shares in, certain compartments and/or classes of shares of the SICAV can however be limited by conditions specific to each compartment at stake.

The procedure for notification to the depositary bank and exercise of the conversion is described in the prospectus of the SICAV.

Conversion rate will be determined by applying the following formula:

$$A = \frac{B \times C \times E}{D}$$

Where:

A: is the amount of shares of the new class or in the new compartment to be attributed

B: is the amount of shares of the current class or in the current compartment to be converted

C: is the net asset value per share of the current class or in the current compartment calculated on the valuation date at stake

D: is the net asset value per share of the new class or in the new compartment calculated on the valuation date at stake

E: is the FX rate on the valuation date at stake between the currency of the current class/compartment and the currency of the new class/compartment.

12.1.6. Resolution and authorization for new issue of share in the SICAV, issue date

Not applicable.

12.1.7. Admission to trading

The Shares are not admitted to trading on a regulated market.

12.1.8. Restrictions on transferability

None.

12.1.9. Mandatory takeover bids or squeeze-out and sell-out

Not applicable.

12.1.10. Public takeover bids during the last and/or current financial year

Not applicable.

12.1.11. Impact on the issuer of the Underlying Fund Shares of the exercise of the right and potential dilution effect for the shareholders

No impact.

12.1.12. Strategy and components

The SICAV aims to achieve capital growth through investment in the major traded assets and outperform the benchmark.

Within the limits set by the SICAV's objective and investment policy, the management team makes discretionary portfolio investment choices, taking into account its own analysis of the characteristics and development prospects of the assets traded. For this purpose the management team makes a carefully balanced selection of a limited number of shares issued by companies with varying market capitalisations and with fundamentals of good quality, upwardly revised earnings prospects and a low valuation.

The SICAV promotes, among other characteristics, environmental and/or social characteristics without pursuing a sustainable investment objective. The analysis of ESG aspects (environmental, social and governance) is integrated into the selection, analysis and general investment strategy of the companies. The SICAV also excludes investments in companies that do not comply with certain recognised international standards and principles (United Nations Global Compact) or which have significant exposure to certain controversial activities. In certain cases, the analysis and selection process can also be accompanied by active involvement, in particular through dialogue with the companies and, as a shareholder, through the vote at the general meeting.

The SICAV may use derivatives, both for investment and hedging purposes (to hedge against unfavourable financial events in the future).

More information about the Underlying Fund Shares can be found in the key investor information document on the website https://www.belfius.be/imagingservlet/GetDocument?src=mifid&id=BE0945524651KIID_NL.

12.2. Description of the Issuer of the Underlying Fund Shares (if member of the same group)

Not applicable.

13. THE UNDERLYING INDEX OF EMPLOYER WARRANTS

(Annex 17 of Commission delegated regulation (EU) 2019/980)

The Underlying Index is the MSCI Europe Net Total Return Index (M7EU). The Index Sponsor is MSCI. The Index Sponsor is registered as a benchmark administrator in the public register maintained by the European Securities and Markets Authority (ESMA) under Article 36 of Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”).

In case of an Index Adjustment Event, the Calculation Agent may decide to substitute the Underlying Index or the value of the Underlying Index with another reference rate. If the Calculation Agent is unable to substitute the Underlying Index, it may calculate the Initial Price by reference to other reference rates. Any such reference rate may constitute a benchmark for the purposes of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. The registration statuses of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

The MSCI Europe Index represents the performance of large and mid-cap equities across 15 developed countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.).

With 432 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe (July 2021). The index is built using MSCI’s Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, market-cap segments, sectors and styles.

More information about the Underlying Index, including past and the future performance and volatility, can be obtained by electronic means free of charge at <https://www.msci.com/documents/10199/db217f4c-cc8c-4e21-9fac-60eb6a47faf0>.

Disclaimer

The Index Sponsor and its licensors, research partners or data providers have no relationship with the Issuer, other than the licensing of the Issuer’s right to insert the Underlying Index and the related trademarks for use in connection with the Warrants. “Index Sponsor” shall also refer to the entities belonging to the same corporate group as the Index Sponsor.

The Index Sponsors and its licensors, research partners or data providers do not (i) sponsor, endorse, sell or promote the Warrants, (ii) recommend that any person invest in the Warrants or any other securities, (iii) have any responsibility or liability for or make any decisions regarding the timing, amount or pricing of the Warrants, (iv) have any responsibility or liability for the administration, management or marketing of the Warrants, (v) consider the needs of the Warrants or the owners of the Warrants in determining, composing or calculation the Underlying Index or have an obligation to do so.

The Index Sponsor and its licensors, research partners or data providers give no warranty and exclude any liability (whether in negligence or otherwise) in connection with the Warrants and their performance.

The Index Sponsor does not assume any contractual relationship with the purchasers of the Warrants or any third parties. Specifically (i) the Index Sponsor and its licensors, research partners or data providers do not give any warranty, express or implied, and exclude, in particular, any liability about: (x) the results to be obtained by the Warrants, the owner of the Warrants or any other person in connection with the use of the Underlying Index and the data contained in the Underlying Index, (y) the accuracy, timeliness, and completeness of the Underlying Index and its data; (z) the merchantability and fitness for a particular purpose or use of the Underlying Index and its data; (xx) the performance of the Warrants generally.

The Index Sponsor and its licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions of in the Underlying Index or its data. Under no circumstances will the Index Sponsor or its licensors, research partners or data providers be liable (whether in negligence or otherwise) for any lost profits or indirect, punitive, special or consequential damages or losses, arising as a result of such errors, omissions or interruptions in the Underlying Index or its data or generally in relation to the Warrants, even in circumstances where the Index Sponsor or its licensors, research partners or data providers are aware that such loss or damage may occur.

The licensing agreement between the Issuer and the Index Sponsor is solely for their benefit and not for the owners of the Warrants or any third parties.

14. THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS

(Annex 6.1 and 17.3 of Commission delegated regulation (EU) 2019/980)

Except for the audited financial statements of the Issuer, there has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

Further, and except for the audited financial statements of the Issuer, there is no information in this Base Prospectus which has been audited or reviewed by statutory auditors and no auditor has produced a report with respect to this Base Prospectus.

The Issuer does not intend to provide post-issuance information.

Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

15. DOCUMENTS ON DISPLAY

(Annex 6.14 of Commission delegated regulation (EU) 2019/980)

Copies of the documents incorporated by reference (including the Issuer's articles of association) are available free of charge on the website www.belfius.be and at the office of Belfius Bank and will be available during the entire lifetime of the Warrants.

Additionally, the future annual reports of Belfius Bank will be published on its internet site <https://www.belfius.be/about-us/en/investors/results-reports/reports>.

ANNEX 1: Template for Final Terms

FINAL TERMS

Set out below is the form of Final Terms which will be completed for each series of Warrants issued under the Programme.

[Date]

BELFIUS BANK SA/NV

Limited liability Company of unlimited duration incorporated under Belgian law

Issue of [...] (Aggregate Nominal Amount of Series of Warrants)

[Title of relevant Series of Warrants]

under the

Warrant Issuance Programme

[MIFID II product governance / Retail investors, professional investors and ECPs target market – Belfius Bank SA/NV acts as sole manufacturer and distributor (each as defined in Directive 2014/65/EU (as amended, "MiFID II")) of the Warrants. Solely for the purposes of Belfius Bank SA/NV's product approval process, the target market assessment in respect of the Warrants has led to the conclusion that: (i) the target market for the Warrants is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; (ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Warrants to retail clients are appropriate - investment advice, portfolio management and non-advised sales.]

[include in case of Employer Warrants: **PROHIBITION OF SALES TO CONSUMERS IN BELGIUM** – The Warrants are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).]

[PRIIPs Regulation - A key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Warrants or otherwise making them available to retail investors in the EEA has been prepared and is available on [●].]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 February 2020 which constitutes a base prospectus for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129) (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus, including, for the avoidance of any doubt, any supplements to the Base Prospectus. Full information on the Issuer and the Offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at (i) the office of the Issuer and copies may be obtained from the Issuer at that address and (ii) the website [_____].

These Final Terms relate to the securities and must be read in conjunction with, and are subject to, the provisions contained in the Base Prospectus as so supplemented. These Final Terms, and the relevant provisions constitute the conditions of each series of the Warrants described herein. A summary of the Base Prospectus is attached to these Final Terms.

In case of any inconsistency between the Base Prospectus and the Final Terms, the Final Terms shall prevail.

The issue of the Warrants has been authorized by resolutions of the Issuer dated [●].

Series Number:	[●]
Tranche Number:	[●]
Warrant category:	[Employee Warrants]/[Employer Warrants]
Warrant type:	The Warrants can only be exercised during the Exercise Period;
Commission:	[●] EUR;
Costs:	There are no additional costs of subscription, no additional costs upon exercise (besides, in respect of the Employee Warrants only, the payment of the Strike Price) and no additional costs upon a sale to the Issuer. In relation to the Employee Warrants, only applicable subscription fees in the Underlying Index, as may exist at such time and applicable taxes are due.;
Exercise Period:	Each business day on which commercial banks in Belgium are open for business from (and including) [●] until (but excluding) the Maturity Date;
Cancellation:	In certain events, the Warrants may be cancelled (Please refer to Conditions 7.7 (<i>Cancellation</i>) and 8.7 (<i>Cancellation</i>));
Adjustments:	In certain events, the features of the Underlying Index may be adjusted (Please refer to Condition 7.10 (<i>Adjustments to the Underlying Index</i>) and 8.10 (<i>Adjustments to the Underlying Fund Shares</i>));
Form:	Book entry;
Currency:	EUR;
ISIN Code:	[●];

Issue Date:	[●];
Issue Price:	[10,50] EUR (being [10] EUR, increased with the Commission);
Issuer:	Belfius Bank, a limited liability company incorporated under the laws of Belgium (hereinafter “Belfius Bank”) (see the Base Prospectus for information about the Issuer);
Maturity Date:	[●];
Offering Period:	The Warrants will be offered for subscription from [●] until and including [●] (4 p.m. Brussels time);
Minimum Amount of the Offer:	[100.000 EUR];
Maximum Amount of the Offer:	[No Maximum];
Parity:	The Parity is the number of Warrants necessary to buy an Underlying Value at the payment of the Strike Price. The Parity equals a percentage of the Initial Price of the Underlying Value at Issue Date divided by the Issue Price minus Commission;
Strike Price:	[[112.31]% of the Initial Price of the Underlying Index]/[the net asset value of the Underlying Fund Shares on [●] which will be posted on https://www.belfius.be/retail/nl/producten/sparen-beleggen/Beleggen/fondsen-beveks/fiche-fondsen/index.aspx?id=BE0945524651&component=ALLWH23&iwsuniverse=retail denominated in EUR];
Initial Price:	[The closing value of the Underlying Index will be posted on https://www.msci.com/end-of-day-history?chart=regional&priceLevel=41&scope=R&currency=119&indexId=110&size=36] / [Not applicable]
Averaging:	[Applicable]/[Not Applicable]; <i>(Note: always "Not Applicable" in relation to Employee Warrants)</i>

Averaging Dates:	[dates]/[Not Applicable]; (Note: always "Not Applicable" if Averaging is Not Applicable)
Valuation Date:	[●];
Rounding:	[In accordance with Condition 7.11 (Rounding)]/ [In accordance with Condition 8.11 (Rounding)]/[specify];
Governing law and jurisdiction:	The Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels;
Underlying Value:	[MSCI Europe Net Total Return Index (M7EU)]/[a class C share (capitalisation) of the compartment Belfius Equities Europe Conviction (Code ISIN: BE0945524651; Code Bloomberg: DEXBEUR BB), within Belfius Equities, a UCITS duly registered under the laws of Belgium under the Crossroad Bank for enterprises' number 0444.229.910, with multiple compartments, incorporated for an indefinite duration];
Cash Settlement Amount:	[Not Applicable]/[The amount determined by the Calculation Agent in accordance with Condition 7.5.2 (Settlement) of the Conditions in relation to any Warrant being exercised;] [Note: always "Not Applicable" if the Warrants are Employee Warrants]
Guaranteed Cash Amount:	[Not Applicable]/[[Parity × Initial Price × marginal tax rate (53.5%) × "avantage toute nature" tax rate Warrants (23%)]/[Parity × Min(Initial Price, average close price of the Underlying Index during the 30 days before the initial valuation date) × marginal tax rate (53.5%) × "avantage toute nature" tax rate Warrants (23%)];] [Note: always "Not Applicable" if the Warrants are Employee Warrants]
Responsibility:	The Issuer accepts responsibility for the information contained in these Final Terms.

ANNEX 2: Prospectus of the Underlying Fund Shares of the Employee Warrants

**REGISTERED OFFICE OF
ISSUER AND CALCULATION AGENT**

Belfius Bank SA/NV
Place Charles Rogier 11
B- 1210 Brussels
Belgium

AUDITORS

KPMG Reviseurs d'Entreprises SRL
Gateway building, Luchthaven Nationaal 1 K
1930 Zaventem
Belgium

LEGAL ADVISOR

Stibbe BV/SRL
Loksumstraat 25
1000 Brussels
Belgium